




3 1761 11650963 9

Canada. Royal commission on
transportation

Evidence, vol. 40-42, 1949

1951



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

A.R.

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

NOV -8 1949

VOLUME

40

521180

23.4.51



Presented to
The Library
of the
University of Toronto
by

Professor H.A. Innis

ROYAL COMMISSION ON TRANSPORTATION

Index Page #57
Page

| | |
|---|--------|
| Mr.Desmarais: Statement re brief - Levis Chamber of Commerce - - - - - | 7524 |
| Mr. O'Donnell: Reply re above - - - - - | 7524 |
| <u>MR. H. H. HANNAM - Called. Examined by Mr.Covert</u> | 7525 |
| Brief of Canadian Federation of Agriculture - | 7527 |
| <u>DR. E. C. HOPE - Called (Re brief, Canadian Federation of Agriculture - - - - -</u> | 7600 |
| Examined by Mr. Covert - - - - - | 7600 |
| Cross examined by Mr. Frawley - - - - - | 7661 |
| Cross examined by Mr. Evans - - - - - | 7680 |
| Noon adjournment - - - - - | 7685 |
| <u>DR. E. C. HOPE - Recalled. Cross examination continued by Mr. Evans - - - - -</u> | 7690 |
| <u>EXHIBIT No.107: Filed by Dr. E,C.Hope.</u> | |
| Presentation of the Canadian Federation of Agriculture to the Board of Transport Commissioners dated Ottawa, July, 1947 | 7692 |
| Transcript of evidence of witnesses who presented their evidence in French will be included in volume 41, Wednesday, November 9th - - - - - | 7715-A |
| <u>DR. E. C. HOPE - Recalled.</u> | |
| Cross Examined by Mr. O'Donnell - - - - - | 7780 |
| Adjournment - - - - - | 7785 |

- - - - -

Index Page 101
Page 102

1. Transmissions of the 1st Class - 103

2. Transmissions of the 2nd Class - 104

3. Transmissions of the 3rd Class - 105

4. Transmissions of the 4th Class - 106

5. Transmissions of the 5th Class - 107

6. Transmissions of the 6th Class - 108

7. Transmissions of the 7th Class - 109

8. Transmissions of the 8th Class - 110

9. Transmissions of the 9th Class - 111

10. Transmissions of the 10th Class - 112

11. Transmissions of the 11th Class - 113

12. Transmissions of the 12th Class - 114

13. Transmissions of the 13th Class - 115

14. Transmissions of the 14th Class - 116

15. Transmissions of the 15th Class - 117

16. Transmissions of the 16th Class - 118

17. Transmissions of the 17th Class - 119

18. Transmissions of the 18th Class - 120

19. Transmissions of the 19th Class - 121

20. Transmissions of the 20th Class - 122

21. Transmissions of the 21st Class - 123

22. Transmissions of the 22nd Class - 124

23. Transmissions of the 23rd Class - 125

24. Transmissions of the 24th Class - 126

25. Transmissions of the 25th Class - 127

26. Transmissions of the 26th Class - 128

27. Transmissions of the 27th Class - 129

28. Transmissions of the 28th Class - 130

29. Transmissions of the 29th Class - 131

ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
Tuesday, November 8th, 1949.

THE HONOURABLE W.F.A. TURGEON, K.C., LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - - COMMISSIONER

HENRY FORBES ANGUS - - COMMISSIONER

- - - - -

G. R. Hunter
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

COUNSEL APPEARING

| | | |
|-------------------------|---|--|
| F.M. Covert, K.C. | } | Royal Commission on Transportation |
| G. C. Desmarais, K.C. | | |
| Hugh E. O'Donnell, K.C. | } | Canadian National Railways |
| H. C. Friel, K.C. | | |
| F. C. S. Evans, K.C. | } | Canadian Pacific Railway |
| I. D. Sinclair | | |
| J. J. Frawley, K.C. |) | Province of Alberta |
| C. W. Brazier |) | Province of British Columbia |
| F. D. Smith, K.C. | } | Province of Nova Scotia Transportation Commission of the Maritime Board of Trade |
| | | |
| J. Paul Barry |) | Province of New Brunswick |
| F. R. Hume | } | Canadian Automotive Transportation Association |
| M. L. Rapoport | | |

- - - - -

MORNING SESSION

Tuesday, November 8, 1949.

M. Desmarais: Monsieur le president, le premier memoir a etre presente ce matin est celui de la Chambre de Commerce de Levis. M. Begin, le secretaire de la Chambre de Commerce de Levis est ici; il a eu une entrevue ce matin avec M. O'Donnell, le representant du National Canadien et M. O'Donnell a une declaration a faire a ce sujet-la. Je ne crois pas qu'il soit neessaire de le presenter maintenant.

M. O'Donnell: Nous avons discute la chose et le chemin de fer National Canadien est pret a mettre en vigueur les memes taux mentionnes dans le tarif numero CM195, etant l'item 6010, par lequel Levis sera accorde les memes taux aux destinations mentionnees dans les tarifs qui sont deja accordes a Quebec. Cela regle le cas quant a M. Begin.

Le President: Alors, caela regle le cas.

M. Desmarais: Je crois que les gens de Levis seront tres heureux. Nous avons un autre memoir....

-

-

-

THE CHAIRMAN: Wait a minute, Mr. Covert, please.

MR. COVERT: Mr. Chairman, the next submission on the agenda is that of the Economic Planning Council of Abitibi, but as they are not here yet, their Mr. Lamontagne, I think we will go on with the Canadian Federation of Agriculture, Mr. Hannam. -

- - - - -

MR. H. H. HANNAM CALLED

EXAMINED BY MR. COVERT

Q. Your position with the Canadian Federation of Agriculture, Mr. Hannam?

A. President and Managing Director.

Q. And would you explain to the Commission just what the Canadian Federation of Agriculture is and how it is composed?

A. Mr. Chairman and Commissioners, I merely intend to introduce the presentation. The Canadian Federation of Agriculture was organized fourteen years ago. It is a federation of practically all organized farmers in Canada. Under it is represented all provinces and all branches of agriculture-- I mean all provinces except our new province which is not in yet, but they are preparing to be in shortly. We think that there are not more than six hundred thousand regular farmers in Canada, even though the census figures show larger than that, because there are so many small lot-holders and so forth included, and of the six hundred thousand we have four hundred thousand or more affiliated with our Canadian Federation of Agriculture which means that we have approximately two-thirds of the farmers of Canada in our Federation. It is open to all farmers, bone fide agricultural producers, whether they are organized in a farm membership organization, a rural

organization, a marketing co-operative, or a purchasing co-operative.

Q. Now, Mr. Hannam, I understand that you are also associated with some world agricultural organization. Is that correct?

A. That is correct. Three years ago we organized the International Federation of Agricultural Producers which is now a farmers' international federation with the nationally organized producers of twenty-four countries represented, and at the annual meeting last summer, I was elected President for this year.

Q. Now, Mr. Hannam, your brief has been filed with the Commission and I understand that you are prepared to allow the brief to be taken as read into the record?

A. That is correct, Mr. Covert.

Q. Mr. Chairman, the brief of the Canadian Federation of Agriculture will be read into the record, taken as read. Mr. Hannam, did you intend to make some specific remarks about it or would you prefer that we proceed with the questioning?

A. I had thought that you might read the brief but in any case we do not wish to have that done. I would prefer to ask Dr. E. C. Hope who is Economist for the Canadian Federation of Agriculture, and who has done practically all the work on the preparation of this brief to be our witness, and I would wish you to call him for presentation.

-

-

-

BRIEF
to the
ROYAL COMMISSION ON TRANSPORTATION
by the
CANADIAN FEDERATION OF AGRICULTURE

PART I

The Position of Agriculture
in the Canadian Economy

Unless you lump all manufacturing industries together, the farming industry is the largest single industry in Canada. It ranks first in value of capital investment, first in numbers of gainfully employed workers and first in total value of production. (Table 1)

Table 1 Capital Investment, Gainfully Employed
Workers and Total Value of Production
for the Important Industries in Canada
(1943) *

| <u>Manufacturing Industries</u> | <u>Total Capital (Million \$)</u> | <u>Employees (numbers) (thousands)</u> | <u>Net Value of Production (millions)</u> |
|---------------------------------------|---|--|---|
| Vegetable Products (processing) | \$ 684 | 117 | \$ 410 |
| Animal Products (processing) | 324 | 88 | 211 |
| Textiles | 455 | 158 | 334 |
| Wood and Paper | 1,103 | 184 | 509 |
| Iron & Products | 1,853 | 436 | 1,397 |
| Non-Ferrous Metals | 675 | 109 | 369 |
| Non-Metallic Minerals | 351 | 31 | 146 |
| Chemicals | 760 | 92 | 379 |
| Miscellaneous | 111 | 25 | 60 |
| <hr/> | | | |
| Total All Manu- facturing | \$ 6,316 | 1,240 | \$ 3,815 |
| <hr/> | | | |
| Total All Mining | \$1,183 | 112 | \$ 530 |
| <hr/> | | | |
| Total Farming Industry | \$ 5,305 | 1,164 | \$ 1,524 |

* Source of data: 1947 Canada Year Book. Numbers of gainfully employed in agriculture from Census of 1941.

By 1948 total capital investment of the farms of Canada had reached \$7 billion.

No data on capital investment in the manufacturing industries are available since 1943 but in that year investment in agriculture far surpassed any single manufacturing industry and was almost 90 per cent of the entire capital investment of all manufacturing industries.

More than a million workers are engaged in agriculture which is almost three times the number employed in the iron and steel industry.

Net value of agricultural production is three times greater than that of all mining and greater than any single manufacturing industry.

The Importance of Agricultural Exports

Although lately the products of the forest have run agriculture a close race for first place in value of exports yet within recent years agriculture has contributed more to Canada's export trade than any other primary industry or similar manufacturing industry.

(Table II)

Table II Total Exports of Canada and Percentage of Total from Agriculture, Forestry and Other Industries - 1944 to 1948 *

| <u>Year</u> | <u>Agriculture (Million \$)</u> | <u>Percentage of Total</u> | <u>Forestry (Million \$)</u> | <u>Percentage of Total</u> |
|-------------|-------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| 1944 | \$ 970 | 28 | \$ 442 | 13 |
| 1945 | 1,038 | 32 | 487 | 15 |
| 1946 | 735 | 32 | 624 | 27 |
| 1947 | 823 | 30 | 886 | 32 |
| 1948 | 894 | 29 | 953 | 31 |

Table II (cont'd)

| <u>Year</u> | <u>Other (Million \$)</u> | <u>Percentage of Total</u> | <u>Total Exports (Million \$)</u> |
|-------------|-------------------------------|--------------------------------|---|
| 1944 | \$ 2,028 | 59 | \$ 3,440 |
| 1945 | 1,693 | 53 | 3,218 |
| 1946 | 953 | 41 | 2,312 |
| 1947 | 1,063 | 38 | 2,772 |
| 1948 | 1,225 | 40 | 3,072 |

* Source: Canadian Statistical Review, D.B.S. March 1949.

Table II indicates that within recent years agricultural products have formed 30 per cent of Canadian export trade. Before the war (1935 to 1938) our calculations show that 39 per cent of Canada's exports were agricultural products. This decline of importance is not due to a decline in exports of farm products but rather to the temporary great expansion of mechanical war materials during 1943 to 1945 and the recent expansion in export trade in forestry products.

With the return to more normal trade conditions we anticipate that exports of farm products will range from 35 to 40 per cent of Canada's total export trade and continue to be the most important export industry.

The export trade for quite a number of farm products is of vital importance to the producers of those products. Table III shows the proportions of the total production of certain products which are exported.

Table III Exports as Percentage of Annual
Production for a Number of Farm
Products *

| <u>Product</u> | <u>1935-39 Percentage</u> | <u>1943-47 Percentage</u> |
|-----------------|-------------------------------|-------------------------------|
| Wheat and Flour | 63 | 85 |
| Cheese | 63 | 73 |
| Apples | 51 | 24 (1944-48) |
| Wool | 40 | 45 |

Table III (cont'd)

| <u>Product</u> | <u>1935-39 Percentage</u> | <u>1943-47 Percentage</u> |
|----------------|-------------------------------|-------------------------------|
| Hogs | 24 | 39 |
| Tobacco | 26 | 19 |
| Maple Products | 24 | 28 (1944-48) |
| Eggs | less than 1 | 20 |
| Cattle | 14 | 9 |

* Source of data: Calculations made from monthly reports of Quarterly Bulletin of Agricultural Statistics.

For the above eight farm products the export trade was very important. About two-thirds of our wheat is exported and almost as much of our cheese. About a third of our hog production is exported and about one-eighth of our beef.

The export trade of our major farm products, particularly wheat and flour, cheese, hogs and beef is of vital importance not only to Canadian agriculture but to the whole Canadian economy. Nothing should be done to hurt the production or trade in these products because time has shown that they are basic products naturally adapted to our peculiar economic, climatic and geographical conditions. In a true sense they are "Natural" products.

The export trade in these four products forms the major part of our agricultural exports. Wheat production is of paramount importance over all the prairie provinces. Cheese production is important in Ontario and Quebec. However the importance of cheese is much greater than this fact alone since the export market for cheese forms the main stabilizer in the entire dairy industry and affects producers of all dairy products in every region of Canada. Hog and cattle production are of importance in practically all major regions of Canada.

Without denying that the production and marketing of many other farm products are of importance to Canadian agriculture yet the fact remains that wheat, cheese, hogs and cattle are the corner stones to our large export trade in agricultural products. Economic policies should be framed to maintain the production and export trade in these key products at satisfactory levels.

Freight Rates and the Farmer

No other group of people in Canada is more vitally interested in freight rates and general transportation problems than the farmers. The regional distribution of farm production is chiefly due to climatic and soil conditions, modified by the transportation charges to the market. Radical changes in transportation charges can very quickly upset long established types of farming based on the natural factors of soil and climate.

Changes in transportation charges cause greater proportional changes in prices received by farmers than in prices paid by consumers for food products. Because of natural climatic and soil conditions most of our farm products are produced at great distances from the consumers. For such products freight costs are a heavy charge between the consumer and the producer. The prices of farm products for the most part are established at central markets. The farmer receives these prices less the cost of transportation to these markets. When freight rates are increased the immediate effect is a reduction in the farmer's price by the amount of the increase. The increase in freight rates is not handed on to the consumer of farm products.

The only way the farming industry could pass on the full increase in freight rates or a part of the

increase, would be to reduce production and allow scarcity to cause a rise in price to the consumer. But agriculture has never been organized in a manner to affect an over-all reduction in production. Even if it were, the time required to reduce over-all agricultural production would render such procedure impracticable as a method of passing on freight increases to the consumer.

As a consumer the farmer is also vitally affected by changes in freight rates. Prices for industrial products are usually set at the factory and transportation and service costs are added in arriving at retail prices. Increases in freight rates are usually reflected in immediate increases in retail prices of industrial goods. They are passed on to the consumer. If the consumer will not absorb the increase, industry can rapidly reduce production until reduced supply forces the consumer to pay the increase.

Thus the farmer is in the position of having immediately to assume the full cost of an increase in freight rates both as producer and consumer. Agricultural production in the aggregate is not flexible enough to enable the farmer to pass on the increase to consumers of food products. As a consumer he also has to pay the full increase on all his purchases. These twin burdens are of much concern to farmers many of whom live at great distances from their consuming market.

PART II

Duplication of Services and Efficiency of Railways

Since railway tolls are not left to be set by a free market, but to a large extent are determined by an administrative body, agriculture and the public generally are greatly concerned when changes in tolls are contemplated. And we contend that before any substantial

increases in railway rates are made, there should be a very thorough analysis of all phases of railway costs and efficiency.

Two phases in particular we would direct to the attention of this inquiry; firstly, is not nearly all of the wasteful competition and duplication, as found by the Commission of 1931-32, still with us; and, secondly, are our railways efficient and are high salaries and high wage rates of railway employees justified in the light of railway efficiency, in comparison with the general level of all wages, and especially as compared with the income of farmers who, as we have pointed out above, are required to assume a very substantial share of the burden of all freight rates.

PART IIA

Duplication of Services

Terms of Reference -- To review and report on the results achieved under the Canadian National-Canadian Pacific Act, 1933, and amendments thereto, making such recommendations as the present situation warrants.

One of the questions which looms largely in the public mind is as to whether our railways are as efficient as they are made out to be. There is a rather firm conviction that a large measure of unnecessary cost is involved in duplication of services, and which is reflected in rates charged the public. The government of 1933 was obviously of that mind when it had parliament pass an Act providing for co-operation between the railways to eliminate such unnecessary duplication. The strong belief today is that very little has been accomplished under the provisions of that Act, and that it is time the white light of public investigation should be thrown upon this phase of our railway problems.

The Duff Royal Commission of 1931 listed seven

contributory causes of the railway problem, among which were:

1. "The over-development of railways beyond the immediate needs of the country."
2. "Aggressive and uncontrolled competition between nation-wide railway enterprises, a competition the more disastrous in that one of the competitors was publicly-owned and supported by the full resources of the Dominion."

Rejecting solutions calling for nationalization of all railways and plans for unification of management and control under one agency, the Commission recommended a proposal put forth by Sir Henry Thornton. This was a proposal to direct the two railways to co-operate in any way possible to bring about savings and efficiencies to the mutual benefit of the two railways. At that time Sir Henry apparently was convinced that his suggested policy of co-operation would bring about as much savings as could be obtained under a unified management plan.

In 1933 the Government brought in the Act to implement the recommendations of the Commission.

Under this Act the two railways are, "directed to attempt forthwith to agree and continuously endeavour to agree, and they respectively are, for and on behalf as aforesaid, authorized to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantage between them) to effect such purposes." (Section 16)

During the hearings of the Commission various estimates were made of the savings which might result from co-operation. Estimates as high as \$56 million a year were thought to be possible.

However, the actual results of the operation of the Act have been distinctly disappointing.

An examination of the annual reports of the two railways gives striking evidence of the failure of this Act to bring about the anticipated savings from the procedure as set up under the Act. The abandonment of uneconomical and unnecessary competitive lines as the result of co-operative action has only amounted to about 900 miles. A certain amount of pooling of passenger trains between Ottawa, Toronto, Montreal and Quebec has taken place. The Hotel Vancouver is being run under unified management. The terminals at Fredericton, N.B., have been consolidated. Other co-operative ventures are small and of limited significance.

In 1935 the C.P.R. reported that the total economies in effect and recommended would amount to annual savings of \$1,600,000, divided equally between the two railways.

In 1940 the C.P.R. estimated the total economies as a result of the Act amounted to \$1,172,000 a year -- which was divided between the two railways.

Since 1940 further co-operative action seems to have been of small consequence.

The annual report for the C.P. R. in 1939 said, "Further studies of co-operative projects under provision of the Canadian National-Canadian Pacific Act have continued to demonstrate the many obstacles to the attainment of worthwhile economies under separate management --"

In spite of the evident failure of this Act to bring about worthwhile savings both the Canadian National Railway and the Canadian Pacific Railway in their "Outline of Submissions" maintain that the Act in its present form is satisfactory and no amendments are needed.

The Royal Commission in 1931 stated: "We have emphasized the fact that a principal weakness of the past decade has been the failure of the railways to act together in their own interests and in the interests of the public. It is not enough that each should take all practicable measures of economy in respect of its own system. There must be joint action with a view to savings in the wider sphere." (Report of the Royal Commission to enquire into railways and transportation in Canada, 1931-32, Page 6)

RECOMMENDATIONS

We believe that positive action should now be taken to see that the original purpose of this Act of 1933 is achieved, in order that there may be a substantial reduction in railway costs.

Since the methods adopted under this Act have been inadequate, and results negligible, we propose that a new approach be made to the problem.

We recommend:

1. Through amendment to the Canadian National-Canadian Pacific Act, the immediate appointment of a continuing tribunal which would be given authority to undertake research and investigate all possible ways to reduce duplication of services and wasteful competitive practices; such tribunal to propose from time to time to the railway companies such measures as the findings of their research show would be fruitful in effecting economies; and that the tribunal report each year to parliament recommendations which they have made and the extent to which these have been adopted and carried out by the railways;
2. That the Railway act be amended to provide that

the Board of Transport Commissioners when considering general freight rate revisions must take into consideration the extent to which the railways have endeavoured to bring about economies by co-operation or in accordance with the recommendations made by the tribunal proposed in Recommendation 1.

PART IIB

Efficiency of the Railways

Terms of Reference - To review the Railway Act with respect to such matters as guidance to the Board in general freight rate revisions, competitive rates, international rates, etc., and recommend such amendments therein as may appear to them advisable.

The public has been told repeatedly that Canada has one of the most efficient railway systems in the world. Generally speaking, we have a high regard for our railway industry, but to the best of our knowledge no thorough study has been made of the efficiency of our railways nor of the efficiency of railway employees as compared with that of workers in other occupations.

It has long been recognized that over a period of years, with respect to its labour income, hours of work, and capital investment, agriculture is one of the lowest paid of all occupations; and it would appear from figures available, that with respect to rates of pay, hours of labour, pension plans and other advantages, railway employees on the average are the best paid workers in Canada.

In January 1948 report of the Board of Conciliation on a wage dispute between railway workers and the railways, the Chairman, Mr. Justice J. C. A. Cameron, remarked as follows:

"It is admitted that for many years railway wages were in most instances above, and in many instances very considerably above, the wage rates of industry generally.

It is the declared purpose of the applicants to secure and maintain that differential in favour of railway workers." (Labour Gazette, June 1948, P. 592)

In the same report the Chairman discussed the situation of the farmers in relation to the demand of the railway employees for a substantial increase in rates of pay (35¢ per hour), in these words: "In Canada agriculture, by supplying the domestic and British markets at prices substantially below prevailing world markets, has and still is making an annual contribution to this purpose, costing its people sums of money greatly in excess of those involved in these wage demands." (Labour Gazette, June 1948, P. 599, 602)

While the farmer is both a worker and a manager, the greater part of his returns from farming is earned as a labour income, with long hours daily at physical labour, which places him in the same category as the working man in other industries.

It is generally recognized that a high level of purchasing power amongst all groups in the nation is a desirable condition in any country. At the same time, severe injustice is done when great differentials in rates of pay are allowed to develop between major groups and especially when a group with high rates secures its advantage by placing an extra burden upon a lower income group.

We present below tables and a chart, compiled from public records, which we believe lend support to the statements we have been making regarding the relative earning power of farmers and that of railway employees.

TABLE IV -- Comparison of Average Annual Wages and Salaries for Important Manufacturing Industries, Steam Railways and Average Net Income Per Farm

| | <u>1939</u> | <u>1940</u> | <u>1943</u> | <u>1944</u> | <u>1945</u> | <u>1946</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Steam Railways | 1549 | 1581 | 1967 | 2067 | 2058 | 2200 | 2331 | 2611 | 2759 |
| Iron & Products | 1309 | 1477 | 1912 | 1986 | 1981 | 1913 | 2121 | 2352 | 2512 |
| Non-metallic | 1305 | 1373 | 1719 | 1776 | 1758 | 1778 | 2025 | 2325 | 2504 |
| Non-ferrous | 1339 | 1392 | 1706 | 1753 | 1792 | 1768 | 2031 | 2295 | 2446 |
| Chemicals | 1397 | 1395 | 1589 | 1679 | 1745 | 1770 | 2000 | 2254 | 2414 |
| Wood & Paper | 1141 | 1204 | 1440 | 1499 | 1535 | 1633 | 1855 | 2048 | 2195 |
| Vegetable Products | 1048 | 1080 | 1345 | 1407 | 1448 | 1511 | 1672 | 1861 | 2001 |
| Animal Products | 984 | 1021 | 1300 | 1375 | 1408 | 1485 | 1625 | 1825 | 1964 |
| Miscellaneous | 1062 | 1114 | 1525 | 1617 | 1548 | 1470 | 1611 | 1756 | 1886 |
| Textiles | 885 | 958 | 1210 | 1279 | 1313 | 1390 | 1522 | 1712 | 1861 |
| Net Farm Family Income | 586 | 643 | 1247 | 1562 | 1231 | 1422 | 1494 | 2101 | - |

In calculating the net farm family income we have first allowed an interest return of 3 per cent per annum on the average total farm capital as a farm expense. The figures in the table are therefore the net returns to the farmer and his family help for their labour and management after a 3 per cent return on capital. According to the evidence submitted by the Canadian Pacific Railway in the recent 30 per cent increase in freight rates case before the Board of Transport Commissioners that railway averaged 3.1 per cent return on its capital in railway investment from 1919 to 1946, and approximately the same rate of return from 1939 to 1946.

In examining Table IV it should be pointed out

that the average income for each industry including the railways is for single individuals. In the case of agriculture it is for the farmer and his unpaid family labour. Census returns indicate that this amounts to about one and one-third person (1.33 man equivalent per farm of total family labour.)

Average annual salaries and wages of employees of the steam railways since 1939 have been substantially higher than that of any other group of workers. Workers in the textile industry and in agriculture have received the lowest returns for their labour of all groups. As a matter of fact if we take into consideration what the income of the textile industry is for individuals and the income for agriculture is for the family, then agriculture has been the poorest paid for its labour of all industries since 1939.

TABLE V -- Index Numbers of Estimated Changes in the Purchasing Power of Wage Rates for Railway Workers and the Purchasing Power of the Farmers of Canada
(1925-29 = 100)

| | <u>Railway Workers</u> | <u>Farmers</u> | | <u>Railway Workers</u> | <u>Farmers</u> |
|------|----------------------------|----------------|------|----------------------------|----------------|
| 1913 | 78 | | 1931 | 113 | 57 |
| 1914 | 79 | | 1932 | 115 | 56 |
| 1915 | 78 | | 1933 | 118 | 52 |
| 1916 | 72 | | 1934 | 113 | 59 |
| 1917 | 75 | | 1935 | 118 | 67 |
| 1918 | 85 | | 1936 | 116 | 66 |
| 1919 | 81 | | 1937 | 120 | 74 |
| 1920 | 94 | 109 | 1938 | 124 | 79 |
| 1921 | 93 | 80 | 1939 | 125 | 83 |
| 1922 | 95 | 88 | 1940 | 120 | 83 |
| 1923 | 96 | 88 | 1941 | 124 | 77 |
| 1924 | 97 | 85 | 1942 | 124 | 123 |
| 1925 | 96 | 102 | 1943 | 134 | 126 |

TABLE V (cont'd)

| | <u>Railway Workers</u> | <u>Farmers</u> | | <u>Railway Workers</u> | <u>Farmers</u> |
|------|----------------------------|----------------|------|----------------------------|--------------------|
| 1926 | 95 | 101 | 1944 | 134 | 129 |
| 1927 | 103 | 103 | 1945 | 133 | 106 |
| 1928 | 102 | 109 | 1946 | 146 | 122 |
| 1929 | 104 | 84 | 1947 | 133 | 131 |
| 1930 | 105 | 88 | 1948 | 139 | 133 |
| | | | 1949 | 135 | 127 (estimated) |

Average 1942 to 1949 135

Purchasing power of railway workers calculated by correcting official index of wage rates by index of cost of living. Purchasing power of farmers calculated by multiplying index of purchasing power of prices of farm products by index of production per man. See Brief on Farm Prices submitted by Canadian Federation of Agriculture to Royal Commission on Prices, December 1948.

-

-

-

Chart 1 Estimated Changes in the Purchasing Power of Railway Wage Rates
and the Purchasing Power of Farmers
1925-29 = 100

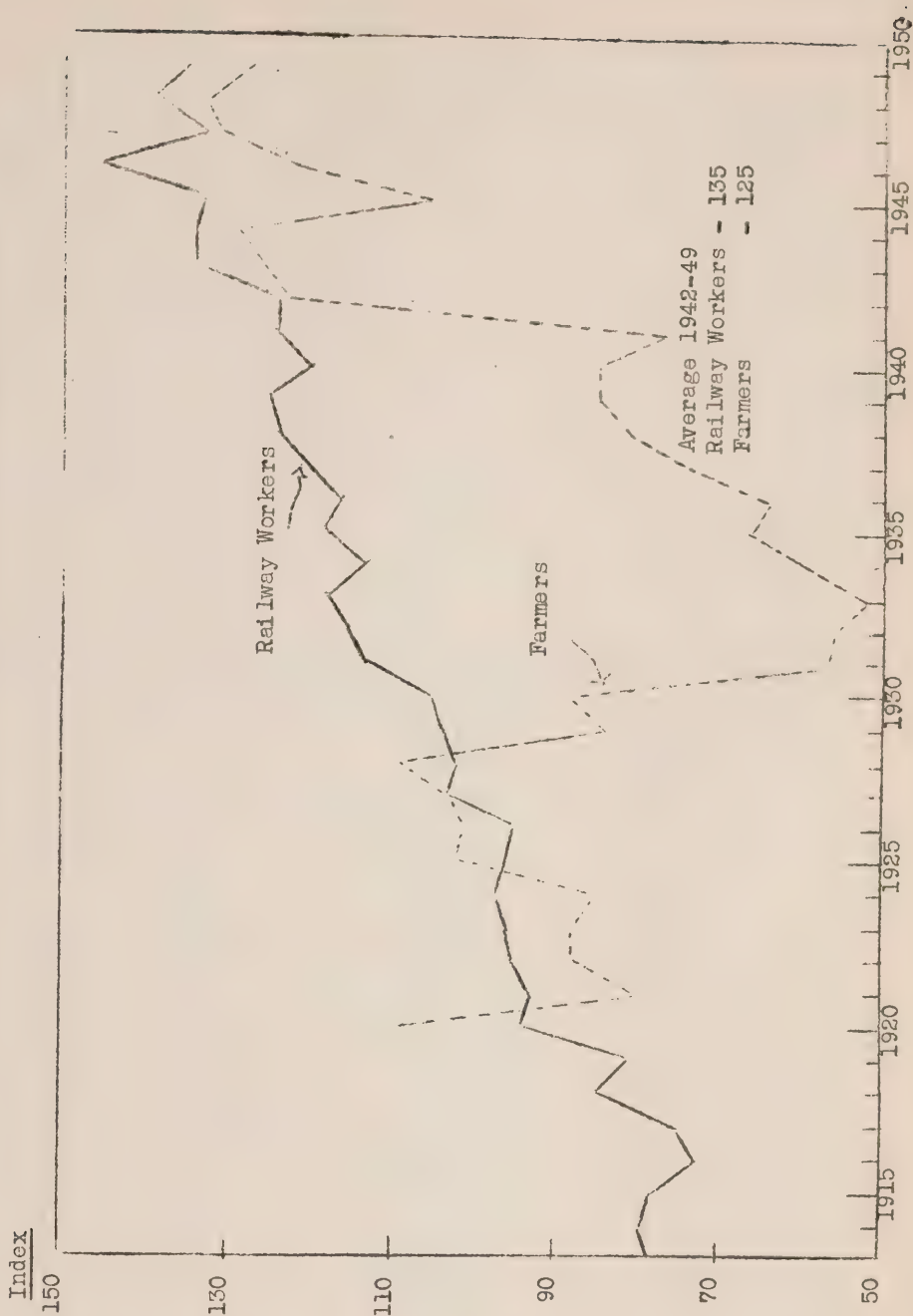


Table V and Chart 1 show the annual estimated changes in the purchasing power of railway wage rates at standard rates of pay with no overtime compared with the changes in the purchasing power of farmers. Employed railway workers have had a steady increase in purchasing power over the years. The purchasing power of the farmers has also had an upward trend but at a somewhat lower rate of increase and characterized by violent changes from year to year due to the impact of price and volume changes.

For the last eight years the purchasing power of railway workers has averaged 35 per cent higher than the period 1925-29 and for farmers the increase has amounted to 25 per cent.

Even if the employed workers in the railway industry had had to share their purchasing power with the unemployed railway workers during the depression our calculations show that the average of all railway workers would still be better than the farmers during the depression.

We believe we have demonstrated, from public records as quoted above, that the relative position of farmers in the field of earnings, as compared with railway employees, is very low.

Having done that, we would like now to quote public records further in support of our contention that the matter of the efficiency of our railways and their employees should become one for real study and enquiry.

Table VI, quoted below, shows a comparison of freight receipts per ton mile.

TABLE VI -- Freight Receipts Per Ton Mile for All Steam Railways in Canada *

| | <u>Cents</u> | <u>Index</u> |
|----------------------------|--------------|--------------|
| 1920 | 1.071 | 100 |
| 1939 | 0.909 | 85 |
| 1947 | 1.009 | 94 |
| 1948 | 1.176 | 110 |
| <u>1949</u> | | |
| January | 1.154 | 108 |
| February | 1.200 | 112 |
| March | 1.189 | 111 |
| April | 1.250 | 117 |
| May | 1.330 | 124 |
| Average 1949 (5 months) | 1.224 | 114 |

* Annual Reports Steam Railways of Canada - 1948 and 1949.
Canadian Statistical Review.

Freight rates per ton mile are now 14 per cent higher than in 1920, the highest peak of post war inflation in Canadian history. In 1948 they were 10 per cent higher than in 1920 on a volume of business twice as great. Yet in 1948 the C.P.R. only made \$18 million from railway operations compared with \$33 million in 1920.

Prices for materials average only slightly higher than they did in 1920. The June wholesale index is less than one per cent higher than in 1920.

Railway employees' wage rates per hour are about 55 per cent higher than in 1920.

In spite of material costs, only a little higher than in 1920 and freight rates about 14 per cent higher than in 1920, the railways claim that they cannot carry freight at these rates and pay railway wages 55 per cent higher than in 1920. They are in the process of asking for a further increase in freight rates, which if granted would force freight rates to a level about 30 per cent higher than in 1920.

In June this year the fifteen International Railway Unions and the Canadian Brotherhood of Railway Employees made a demand on the railways of Canada for increases in wages and shorter hours of work. Specifically they are asking for a 40 hour work week (now 48 for most employees) with an increase in rate per hour so that take-home pay will be the same, and an additional 7 cents per hour. Moreover, it was stipulated that the employees must have two consecutive days off each week. If they worked any hours on these free days they were to be paid time and a half.

Another union, the Canadian Brotherhood of Railway Employees and Other Transport Workers has made a demand for the 40 hour week and an over-all increase of 30 per cent per hour. So far the railway trainmen have not brought forward any demands.

The railway companies have stated that the above-mentioned demands would increase the wages bill of the railways by \$74 million a year.

From the above, we have shown:

1. That with respect to earnings, farmers are at the bottom of the list of all industries, with railways at the top.

2. That freight rates per ton mile are 14 per cent higher now than in the peak year of 1920, but the Canadian Pacific Railway reported much higher earnings in 1920 than in 1948.

3. That the railways are now demanding a further increase in freight rates.

4. That railway employees are demanding further increases in pay.

5. That the granting of the further increase in freight rates would mean a freight rate structure 30 per cent higher than in the peak year of 1920.

In the light of the above, and bearing in mind that the industry of agriculture provides a very large proportion of the business upon which increases in freight rates would be collected, surely it is understandable that we as representatives of the farming industry now raise the question of the efficiency of our railways and their employees.

We have pointed out that, so far as we have been able to learn, and in spite of increases that have been granted the railways from time to time, the matter of efficiency has not been made the subject of enquiry or study at any time.

We believe that the time has now arrived when such study or enquiry should be undertaken in the public interest.

Recommendations

1. That under Section 4 of the Terms of Reference, this Commission include in its examination a thorough enquiry into and study of the efficiency of the railways and their employees.

2. That the Railway Act be amended to require that the Board of Transport Commissioners, in the hearing of any application for a general increase in freight rates make an examination of the position of the railways with respect to efficiency of operation.

PART III

Effect of Geographic Disadvantages

Terms of Reference: To review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of Canada.

PART IIIA

Crow's Nest Rates

The settled area of Canada stretches in a long loosely connected belt about 3500 miles long with a width varying from about 100 miles to 400 miles. This can be visualized if we consider a narrow strip of paper 18 inches long and only one inch wide. Along this long narrow belt all railway traffic has to move to production, distribution and main consumption centers. Scattered along this belt are certain main agricultural producing areas, naturally adapted by climate, soil and topography to certain types of farming. The long distances of certain producing areas from their markets is the main geographical disadvantage of certain agricultural producers.

Situated in almost the center of this narrow belt is the prairie region. Natural conditions of soil, climate and topography have demonstrated over a long period of years that much of this region is primarily suited to specialized grain production. But situated as it is in the center of a continent, this area is distinctive, in that it has one of the longest rail hauls to water of any major grain exporting country. This peculiar geographical

disadvantage of the prairie region makes it essential that nothing should be done to disturb economic policies affecting this region which time has proved to be sound.

In 1897 the Government of Canada entered into an agreement with the Canadian Pacific Railway providing for special freight rates on wheat and flour to the head of the Great Lakes. These rates were raised temporarily during the period of inflation after world war I but were restored to their statutory levels in 1922.

RECOMMENDATION

In view of the fact that:

1. Wheat production and the export trade in wheat is the most important single economic activity in Canada, and
2. The wheat economy of the prairies is the key to the whole agricultural industry of Canada.

We would insist that in the national interest grain freight rates continue to be statutory rates, and accordingly under the direct control of parliament.

PART IIIB

Feed Freight Assistance

As indicated above, the prairie region of Canada is naturally adapted to the production of grain, both wheat and feed grains. The main marketing areas for feed grains are the maritime provinces, the central provinces of Quebec and Ontario and British Columbia. These areas are situated all the way up to 3000 miles from the heart of the producing region. Much of the agricultural areas of the Maritimes and the central provinces are adapted by climate, soil and topography only to livestock production. Grain yields and costs do not favor extensive

production of these products in these areas. The natural flow is for feed grains to move to the areas naturally adapted to livestock production.

Since 1941 it has been the policy of the government to assist the movement of feed grains by special freight assistance from lake ports to eastern Canadian areas, and from the prairies to British Columbia.

This policy has been of great benefit to the prairie grain grower in expanding his domestic market for feed grains, and to the livestock feeder in expanding his livestock production. It has enabled livestock farmers in the east and in B.C. to utilize acreage for the expansion of hay production and of pasturage rather than being under the compulsion of using these acres for what may be considered uneconomic production of coarse grains.

The member bodies of our Canadian Federation of Agriculture, from all parts of Canada, have been unanimous in their belief that the freight assistance policy on feeds and feed grains should be continued.

RECOMMENDATION

We therefore recommend that the feed freight assistance policy be incorporated into our freight rate structure as a permanent feature of our national agricultural program, this to be brought about by parliamentary statute, similar to the Maritime Freight Act.

PART IV

Capitalization of the C.N.R.

Terms of Reference: To review the capital structure of the Canadian National Railway Company and report on the advisability, (or otherwise), of establishing and maintaining the fixed charges of that Company on a basis comparable to other major railways in North America.

From time to time public ownership of the C.N.R. has been under attack because of the alleged inability of the railway to pay its own way compared with the C.P.R. The C.N.R. has been severely handicapped from the point of view of servicing its debt because the Government made a decision a long time ago to weld together a series of bankrupt railways. Because of over optimism and faulty judgment in the past the railway has been saddled with a debt far beyond its capacity to pay. The Capital Revision Act of 1937 did not correct the fundamental problem, which was to reduce the debt to manageable proportions. Only a substantial reduction in the interest bearing debt can put the railway on its feet and give encouragement to the management and employees to strive for more efficient service.

It is evident that the framers of the Capital Revision Act of 1937 had in mind a plan to reduce the interest bearing debt of the C.N.R. to manageable proportions. But the provisions of this Act have failed to accomplish this purpose.

Our understanding of the main provisions of this Act are briefly as follows:

It cancelled practically all the accumulated deficits charged by the Government against the Canadian National System since 1923. At this time, 1937, the Government had claims against the Canadian National for capital, deficits and interest totalling \$1,251,916,623. In addition to this amount they had a further claim of \$388,290,263 for capital expenditures on the Canadian Government railroads. The Province of Canada also had an old claim of \$15,142,633.

By section 10, of the Capital Revision Act any surpluses after meeting the fixed debt charges are paid

into the Consolidated Revenue Fund and added to the Securities Trust Fund, thus increasing the Government Equity in the system. Any abandonments of railway lines are treated as capital losses and deducted from Proprietor's Equity.

Any deficits incurred by the Canadian National Railways System, after paying the fixed interest charges on the funded debt are paid out of the Consolidated Revenue Fund but are not charged against the railway.

Thus by the Capital Revision Act the net debt of the railway cannot increase on account of deficits, but only to the extent that the railway borrows for further capital expansion. The Proprietor's or the Government's Equity in the railway increases as the surpluses are paid into the Treasury. It decreases as railway lines are abandoned.

After the Capital Revision Act of 1937 the railway was left with an interest bearing debt of \$1,184,612,240 owing to the public and an interest bearing debt of \$80,237,216 owing to the Government. The interest charges on this debt amounted to about \$52 million a year.

Since 1939 there has been a substantial change in the interest bearing debt structure of the C.N.R. During the war the railway company was authorized to purchase C.N.R. securities held by the British people. The railway obtained the funds for these purchases from the Canadian Government. The result was a reduction in the debt owing to the public and a corresponding increase in Government held debt.

Thus the change in the interest bearing debt structure from 1939 to 1948 has been as follows:

| | Debt held by the Public | Debt held by the Government | Total |
|-------------|----------------------------|--------------------------------|-----------------|
| Dec.31,1939 | \$1,263,401,000 | \$ 62,154,000 | \$1,325,555,000 |
| Dec.31,1948 | 584,232,000 | 760,494,000 | 1,344,726,000 |

The annual interest charges on the above debt amounted in 1939 to \$50.7 million and in 1948 it had been reduced to \$44.8 million due to refunding at lower rates.

The Earnings of the C.N.R. System

Any practical reduction in the debt charges of the railway must be related to the most probable future earnings of the railway. In Table VII we show the past earning performance of the railway.

Since 1923 the net earnings of the C.N.R. have been as follows:

TABLE VII

| | Net Earnings (million dollars) | Interest Payable (million dollars) | Surplus or Deficit (million dollars) |
|---------------------------|-----------------------------------|---------------------------------------|---|
| 1923 | \$ 13.8 | \$ 35.4 | \$ 21.6 deficit |
| 1924 | 15.5 | 39.1 | 23.6 " |
| 1925 | 31.0 | 41.1 | 10.1 " |
| 1926 | 42.2 | 39.8 | 2.4 surplus |
| 1927 | 37.1 | 41.3 | 4.2 deficit |
| Average <u>1923-27</u> | <u>27.9</u> | <u>39.3</u> | <u>11.4</u> " |
| 1928 | 47.0 | 44.3 | 2.7 surplus |
| 1929 | 35.4 | 48.8 | 13.4 deficit |
| 1930 | 18.7 | 54.3 | 35.6 " |
| 1931 | -3.0 | 57.8 | 60.8 " |
| 1932 | -2.6 | 58.4 | 61.0 " |
| Average <u>1928-32</u> | <u>19.1</u> | <u>52.7</u> | <u>33.6</u> " |
| 1933 | -2.4 | 57.5 | 61.3 deficit |
| 1934 | 7.3 | 56.8 | 50.9 " |
| 1935 | 6.6 | 55.5 | 50.3 " |
| 1936 | 7.5 | 50.8 | 46.7 " |
| 1937 | 9.7 | 51.8 | 43.6 " |

TABLE VII (cont'd)

| | Net Earnings (million dollars) | Interest Payable (million dollars) | Surplus or Deficit (million dollars) |
|---------------------------|-----------------------------------|---------------------------------------|---|
| Average <u>1933-37</u> | <u>5.7</u> | <u>55.9</u> | <u>50.2</u> deficit |
| 1938 | -0.4 | 52.0 | 53.8 deficit |
| 1939 | 10.6 | 50.7 | 40.1 " |
| 1940 | 33.5 | 50.4 | 16.9 " |
| 1941 | 54.4 | 50.3 | 4.1 surplus |
| 1942 | 74.1 | 48.9 | 25.2 " |
| Average <u>1938-42</u> | <u>34.4</u> | <u>50.4</u> | <u>16.0</u> deficit |
| 1943 | 85.2 | 49.7 | 35.5 surplus |
| 1944 | 71.0 | 48.0 | 23.0 " |
| 1945 | 71.0 | 46.3 | 24.8 " |
| 1946 | 35.7 | 44.7 | 9.0 deficit |
| 1947 | 27.9 | 43.8 | 15.9 " |
| Average <u>1943-47</u> | <u>58.1</u> | <u>46.5</u> | <u>11.6</u> surplus |
| 1948 | 11.3 | 44.8 | 33.5 deficit |
| Average <u>1923-48</u> | <u>28.4</u> | <u>48.5</u> | <u>20.1</u> " |

(Note regarding Table VII: Net earnings calculated from C.N.R. earnings, statements in Canada Year Books 1923 to 1938; 1939 to 1948 from Annual Reports of C.N.R. Interest payable 1923 to 1937 is interest due on debt held by the public only. From 1937 to 1948 interest payable includes interest owing to the public and the Government.)

It will be noticed that before the Capital Revision Act, from 1923 to 1937, the C.N.R. failed to meet the interest on the public debt in any 5 year period. It also failed to meet the interest in the 5 year period, 1938 to 1942, in spite of two years of surplus. For the best period in its history, the wartime period of 1943 to 1947, it had a small surplus over all interest charges.

For the entire period 1923 to 1948, the C.N.R. net earnings out of which it could pay interest on long term debt have averaged \$28.4 million a year. The average long term interest charges amounted to \$48.5 million (excluding government interest prior to 1937) and the average deficit has amounted to \$20.1 million.

It is obvious that the Capital Revision Act of 1937 was not a realistic approach to the problem of the C.N.R. It cancelled the Government charges against the railway for deficits and accrued interest on these advances and other Government loans. But it left intact the outstanding long term debt owing to the public. Before this revision the actual operations of the railway had failed to meet the interest on this debt.

The recapitalization of the C.N.R. in 1937 was either not based on the facts of the true earning power of a railway composed of three bankrupt systems - or else the recapitalization was based upon the pious hope that by some magic the act of recapitalization would result in greater net revenues.

The experience since 1937 indicates clearly that nothing short of a bold major operation will put the C.N.R. onto a paying basis.

A Reasonable Debt Structure for the C.N.R.

We have examined the debt structure of the C.P.R. and have come to the conclusion it would not be a practical proposal to advocate a comparable reduction in the interest charges of the C.N.R. to the low level of the present C.P.R. annual interest charges of \$13 million. We have therefore come to the conclusion that the more practical approach is to base the interest bearing debt on the most probable future earnings of the railway.

We have examined the long period 1923 to 1948 when

the earnings of the Company averaged \$28.4 million per year. But we consider the earnings are inflated too much by the 1942 to 1945 period.

The average earnings from 1923 to 1939 amounted to \$16.1 million. But this period was unduly depressed by the severe depression of the 1930's.

We have reached the conclusion that the best figure for long time average future earnings is an average of these two figures (\$28.4 and \$16.1 million), giving a figure of \$22.2 million for future annual earnings. Therefore the interest bearing debt of the railway should not be larger than can be serviced by average annual earnings of \$22.2 million.

RECOMMENDATIONS

The details of the present debt of the railway held by the Government are as follows:

| | | <u>Interest Rate Per Cent</u> |
|---|-----------------------|-----------------------------------|
| Loans for repatriation of U.K. securities | \$ 391,439,302 | 3.5 |
| Loans for debt redemption | 278,925,788 | 2.3 |
| Loans for rolling stock | 38,228,164 | 2.6 |
| Loans for investment in T.C.A. | 19,043,022 | 2.5 |
| Loans for capital expendi- tures & working capital | 16,086,566 | 1.9 |
| Canadian Government Railways- working capital at con- solidation 1923 | <u>16,771,900</u> | <u>-</u> |
| | <u>\$ 760,494,825</u> | <u>2.9%</u> |

We recommend that the amount of the "Loans for repatriation of U.K. securities" and "Loans for debt redemption" (\$670,365,090) be entered in the Proprietor's Equity (Government Equity) of the liabilities as additional securities trust stock, and the Government cancel these outstanding interest bearing securities. The balance of

the government-held debt would remain as railway debt.

The present liabilities and the proposed change would then be as follows:

| <u>Interest Bearing Debt</u> | <u>Dec. 1948 (millions)</u> | <u>Recommendation (millions)</u> | <u>Interest Rate</u> |
|------------------------------|--------------------------------------|----------------------------------|----------------------|
| Held by public | \$ 584 | \$ 584 | 3.5 * |
| Held by Government | | | |
| Repatriation & Refunding | \$ 670 | | |
| Working Capital etc. | 90 (See table above - Total 4 items) | 90 | 2.0 |
| Total Interest Bearing Debt | <u>\$1,344</u> | <u>\$ 674</u> | <u>3.3</u> |

*(Interest rate estimated at 3.5% instead of almost 4% as at Dec. 31, 1948, because of recent refunding operations of \$75 million at rate of 2.9%)

Government of Canada
Proprietor's Equity

| | | | |
|---|----------------|-----------------|---|
| C.N.R. Capital Stock | \$ 18 | 18 | - |
| Securities Trust | 379 | 1,049 | - |
| Capital Expenditures on Canadian Govt. Railways | <u>378</u> | <u>378</u> | - |
| | <u>\$ 775</u> | <u>\$ 1,445</u> | |
| Total | <u>\$2,119</u> | <u>\$ 2,119</u> | |

This cancellation of \$670 million of government-held debt and the increase of the securities trust by a similar amount (equivalent to common stock) reduces the annual fixed interest charge to \$22.2 million (3.3% of

\$674). We believe that with efficient operation the C.N.R. should be able to meet this obligation. Any savings resulting from more extensive co-operation between the two railways should enable the railway to finance any new developments which may be necessary.

Any further borrowings of the railway from the Government for operating or equipment capital should be repaid from earnings.

PART V

Earnings of Railway Subsidiaries in Relation to Rate Increases

In past enquiries with respect to applications for increased rates, it has been customary to use the earnings of the Canadian Pacific Railway as a measuring rod in calculating the need of both transcontinental systems for further revenue.

In this connection the C.P.R. has insisted always that so-called "other earnings", meaning earnings other than those derived purely from operation of the railway lines, should not be considered as railway revenue when computing the need for increased rates.

The contention of the C.P.R. has been that such other earnings, coming from such enterprises as the railway hotels, steamship lines, land development, and so forth, is income belonging to the shareholders from the prudent investment of past earnings. As such, they claim this income should be divorced from railway earnings.

Rather inconsistently, however, in their claims to increased rates, they have insisted on including, on the expense side of the ledger, interest on C.P.R. debt which is a charge against all C.P.R. assets.

"Other earnings" are substantial, as is shown in the following table:

TABLE VIII -- Earnings of the Canadian Pacific Railway

| | <u>Railway Net Earnings</u> (Millions) | <u>Other Income</u> Millions | <u>Total</u> Millions |
|------|---|---------------------------------|--------------------------|
| 1939 | \$ 25.0 | \$ 6.7 | \$ 31.7 |
| 1940 | 32.1 | 10.7 | 42.8 |
| 1941 | 42.5 | 13.4 | 55.9 |
| 1942 | 44.7 | 15.9 | 60.6 |
| 1943 | 45.7 | 16.3 | 62.0 |
| 1944 | 39.7 | 12.4 | 52.1 |
| 1945 | 32.7 | 15.1 | 47.8 |
| 1946 | 17.5 | 22.8 | 40.3 |
| 1947 | 20.3 | 24.8 | 45.1 |
| 1948 | 15.8 | 24.9 | 40.7 |

We contend that the investments creating the "other earnings" were made possible to a very large extent by the development of the huge land grants made by the people of Canada to the C.P. R. in its early years, and by subsidies of other kinds, as well as by undistributed profits made by the railway lines themselves.

The grants and subsidies were substantial, as is shown by the following items taken from the Duff Commission report of 1931.

By terms of contract of 1880

710 miles of government constructed lines,
turned over to the C.P.R. without cost,
and valued at approximately - - - - - \$38 million
Cash subsidies, in total from Dominion-\$35 "
Land grants from the Dominion totalling
22 million acres, selected.
Exemption from taxes on land grants for 20
years after patents were granted.
Exemption from taxes on stock and other
property forever.
In addition to the above, land grants of
11 million acres, as well as substantial
cash grants, were made by provinces.

It should be remembered also that the C.P.R. was guaranteed freedom from rate control or regulation until earnings were sufficient to pay shareholders of the railway a ten per cent dividend. (Page 78, Duff Royal Commission Report)

The people of Canada, through the Dominion and Provincial Governments, supplied these grants and subsidies with the original idea of guaranteeing a transcontinental railway system, but scarcely with the idea that ultimately the railway would develop huge assets as subsidiary to their railway operations and the revenues from which they now insist on having segregated from earnings of their railway lines in application for increased rail rates.

It is generally understood too, that these subsidiaries were built and developed through the years with the express purpose of providing traffic for the railway.

In 1948, in his report to the shareholders of the Canadian Pacific Railway, Mr. Geo. A. Walker, Chairman of the Board of Directors of the railway, said, respecting the Consolidated Mining and Smelting Co., in which the C.P.R. is a heavy shareholder:

"Your interest in Smelters is the result of careful and prudent investment from time to time since 1898 of money belonging to the shareholders which otherwise might have been distributed in dividends. The income from the investment in that company (Consolidated Smelters) should inure to your advantage. The original investment was made to develop traffic for your rail lines on the Kootenays, and to protect the competitive position of the railway."

We are not challenging the soundness of these investments nor the underlying principle upon which they are based. Rather the contrary. But we do challenge the

right of the railway company to divorce the earnings of these assets of the railway company from the earnings of the railway lines themselves, when applying for increased revenues through increases in rail rates.

RECOMMENDATION

We would recommend that the Railway Act be amended to require the Board of Transport Commissioners, in the hearing of any application for a general increase in rates, to take into account the full net earnings of the railways and all their subsidiaries in computing the need for further revenues.

PART VI

Method of Dealing with Special Rates

The railway companies on occasion have adopted the practice of effecting an increase in freight rates by the indirect method of simply filing notice with the Board of Transport Commissioners that they intend to discontinue a certain special rate or allow it to expire, or revert to original freight classification of a particular commodity which has enjoyed a special rate.

A notable example of this was the action in the autumn of 1948 of the railways in filing notice of the discontinuance of the special rate on shipment of farm machinery from eastern Canada to western Canada. This was accomplished by restoring the commodity to its original classification, and resulted in a very substantial increase in the freight rates.

This was a serious blow to western agriculture, inasmuch as the special rate had been in effect for twenty years. As a result of vigorous protest, the Board of Transport Commissioners suspended the action of the

railways until proper hearings could be held. The matter is still pending.

Another example of similar action on the part of the railways was the suspension of the special rates on seed grain, on the shipment of pure bred livestock and on livestock shipments to exhibitions.

RECOMMENDATION

We recommend that the Railway Act be amended to provide, in the case of any special rate that has been in existence and in use by the railways, that before such special rate shall be cancelled or suspended:

1. A request for permission to cancel or suspend such rate must be filed with the Board of Transport Commissioners.
2. Reasons for such cancellation or suspension must be filed with the Board.
3. A public hearing on the application has been granted.

CONCLUSION

In concluding this brief we wish to thank the Commissioners for the opportunity of appearing before them and presenting our views and recommendations. We bespeak your careful consideration of these.

We believe that the appointment of this Commission, and the enquiry it has undertaken, have been most timely. We recognize that our transportation problems cannot be solved by the mere increasing or decreasing of rates, and we believe that the time has arrived for the adoption of bold policies and determined action to implement those policies in order that the best interests of the Canadian people may be served. We sincerely trust that the

submission we have made and that others have made, will enable you to arrive at conclusions which will provide a major contribution to the future handling of the nation's transportation services.

(Page 7600 follows)

DR. E. C. HOPE CALLED

EXAMINED BY MR. COVERT

Q . Your initials are?

A. "E. C."

Q. And you are the Economist of the Canadian Federation of Agriculture, Dr. Hope?

A. Yes.

Q. Now, Dr. Hope, did you wish to make any specific remarks with respect to the brief, or additions?

A. No, I just thought that I could outline very briefly the eight points in the brief and then we will see if we can try to answer some of these questions.

Q. Would you face the Commission and if you would speak quite loudly, the acoustics are not very clear here.

A. Those are just the main highlights or points of the brief. I think probably you have all read this brief.

With respect to the C.N. - C.P. Act of 1937 the Federation feels that the Act apparently has not done what it was originally intended to do. The savings that have resulted in the operation of that Act are very small, and, therefore, we believe that it should be amended and we are recommending the appointment of a continuing tribunal whose task will be continuous research, looking into economies and efficiencies that could take place and recommending to the railways that these could be put into force, and that this tribunal would report annually to Parliament, so that the general public would understand what the tribunal has recommended, and if the railways have not carried out their recommendations, then the public will know why.

Then we recommend an amendment to the Railway Act so that in case of any general freight rate revision



the Board of Transport Commissioners should definitely satisfy themselves that the railways have done their best in implementing the recommendations of this tribunal before any consideration is given to increase in rates.

MR. COVERT: Could you speak a little louder?

THE CHAIRMAN: "Our recommendations in this respect is
/to review and to report on the results achieved under the Canadian National - Canadian Pacific Act of 1933 and the amendments thereto, making such recommendations as the present situation warrants".

Have you had occasion at all to go into the question and the results achieved?

A. Yes, we have. It is in our brief - about two pages, I think, - not as much detail as the railways, but I believe sufficient detail to satisfy ourselves that it has not been very effective.

Q. All right.

A. We are also recommending that the Commission under one of the terms of reference itself make some study of the efficiency of the railways. We have not been able to find so far, that any comprehensive study has been made of the efficiency of Canadian labour, for instance, on Canadian railroads. The Board of Transport Commissioners has made a small study on the efficiency of the mechanical equipment on the railways, but not of labour efficiency.

Now the Crow's Nest Pass rates, we recommend to stay under the direct control of Parliament, and be statutory as they are at present. We are recommending that the feed grain freight assistance now granted to Eastern Canada and British Columbia be incorporated into the railway freight structure in a manner somewhat like the Maritime Freight Rates Act.

We recommend the capital debt of the Canadian National Railways be reduced to the extent of \$670,000,000 by transferring that portion of the debt called "Loans for Debt Reduction" and "Loans for Repatriation of Securities" which totals \$670,000,000, to be transferred to Proprietors' Equity therefore leaving the railway free of Interest-Fixed debt, being put into the category of common stock.

Then when it comes to the question of freight increases, we recommend that the Railway Act should be amended to require the Board of Transport Commissioners to take into consideration all the earnings of the railways, not just necessarily what they classify as railway earnings alone. Those are the main points of our submission.

Q. Now, Dr. Hope, there are a few questions that I wanted to deal with. Have you a copy of your brief with you?

A. Yes, it is here.

Q. Now if you will turn to page 3 of your brief, Doctor. Under the heading "Freight Rates and the Farmer" you in effect say that the farmer pays both ways, that is, the price for his product is the market price less the freight, and that when he buys as a consumer, he pays the freight. Now I suppose that generally speaking, that is a debatable point, is it not?

A. It is debatable, yes.

Q. There are cases where the market price in many cases is increased when there is the increase in freight rates, for example?

A. The price of farm products, you mean?

Q. Well, I suppose it works with farm products. It

depends whether it is a buyer's or a seller's market?

A. Well, it is very difficult. I do not know of any evidence. The C.P.R. tried to look into it in their brief. I just had the chance to look at it the other day but it is very difficult to show any figures that when the freight rates go up, the price of the farm products go up at retail, or on wholesale even.

Q. You say the situation is different then with farm products than with, say, the manufactured goods?

A. Very definitely. Just last week I think I saw in the paper where freight rates were increased 8% and the price of coal was raised almost simultaneously. That happens with many products, and with farm equipment again the price of machinery is based on the factory, and then the freight is added to it, and it is the farmers who pay that price. That has been practised for many years.

Q. You are of the opinion then Doctor, I take it, that generally speaking, on manufactured goods, when there is a freight rate increase, the price of the article goes up to the farmer?

A. Well, I would put it this way as comparing manufactured products with farm products, that it is more likely that the freight is added to the manufactured products than it is to be added to the farm products. Now in most cases the farm product does not go up in the wholesale centres in most cases, and I think probably in most cases the manufactured product does go up. That is not true for all products, not altogether.

Q. And did I understand you to say that there was very little evidence that in the case of farm products, when there was a freight increase, that the price of the farm product raised with it?

A. The farm product at wholesale rate goes up? There is very little evidence that I have been able to see.

Q. Have you made a real study of that phase of the matter Doctor? We get a good many statements, for instance, that certain communities and certain areas pay the freight both ways, or that the farmer pays the freight both ways. Now has your organization made any substantial study of that?

A. No sir.

Q. Now, as to the whole of Part 1 of your brief, I take it that there is no specific recommendation there. You point out the importance of maintaining the export trade and the importance of farming to the economy of Canada, and I think you suggested the economic policy should be framed to maintain the production for the export trade of these key farm products, but what I want to find out is, if you are suggesting that the freight rate structure should be used as the instrument to do this?

A. No, only to the extent that it might come into other parts of the brief further on.

Q. Have you a specific reference perhaps to the Feed Grains Assistance and the Canadian National rates?

A. Yes, both of them.

Q. Then I will deal with those when I come to them. Then in Part 11 and 11A of your brief you deal with the duplication of services and the efficiency of the railways, and you make some specific recommendations with respect to the Canadian National - Canadian Pacific Act.

THE CHAIRMAN: What page are you referring to there?

A. Page 5.

MR. COVERT: The recommendations are found at the bottom of page 5 and the top of page 6 and it is at the top of page 6 that the specific recommendation is made. You recommend the arrangement for a continuing tribunal and I take it that what you are recommending is something different than for example, the Board of Transport Commissioners?

A. Yes.

Q. You think it should be a separate body?

A. Yes.

Q. And has your Federation any suggestions as to how this should be set up or the composition of it?

A. No, not specifically. In discussing it the general opinion seemed to be that they need a competent permanent tribunal, well qualified in training in this particular respect whose continuous job would be mostly research, to look into all these propositions where economies may take place, and go right to the ground of them and then put it up to the railways that they believe that these things should be done. And we stress very much the reporting to Parliament, because we feel that the vast majority of the people in Canada do not even know that there is such a thing as the Canadian National - Canadian Pacific Act.

Q. Doctor, I was going to ask you if your Federation had given consideration to the matter from this angle, that perhaps when the recommendations of the Commission were made in 1931, or 1932, that the situation was quite different than that which exists today. For instance, it is conceivable I suppose, that what were considered as duplications of service then with a smaller population and less trade, and less manufacturing industry, may be vastly different today. Have you given consideration to

that matter?

A. Yes, we have and that is a good point, and it is true that greater volume of traffic makes the situation somewhat different, but still we feel that this should not be left to the railways themselves to look into and never report to the public, because we feel this way about the whole situation, that unless something is done to satisfy the public that all efforts are being made to bring about the greatest possible efficiency, that the clamour will arise for some unified form of control by some central body. It is going to take place, and we feel we should try our best under the present system. The present system is good and we should give it a good chance.

Q. Then Doctor, I take it you are aware that prior to the war at least, they did report each year, I think, to a Committee of Parliament, and I think, for instance, it was always contained in their financial statement, a report showing what co-operative measures or methods had been taken. You are suggesting that that is not sufficient, that there must be something far more than that?

A. Yes. I was not aware that the Act called for a report to Parliament. I do not think so.

(Page 7615 follows)

Q. In the C. N. Act -- in the C. N. financial statements each year that they submit to Parliament, my understanding is that there always has been a report,--and then I am subject to correction on this, but I think there was a Senate Committee that investigated the achievements that had taken place under that Act. You think there should be, I gather, this continuing body that should be investigating it all the time. Now, wouldn't you think, doctor, that that investigating body would need to have tremendous knowledge of railway operations?

A. It certainly would have to have tremendous knowledge of railway operations. I know, in the short time I have been at it, it takes a lot of work, but we see no other solution. To leave it to the railways alone is not satisfactory. Now, I understand that the Act called for special tribunals ^{where} the railways get into any disputes, but they have never used them; they have never needed to use them, because the railways have mutually agreed to do nothing, said it is impossible, so the Act has had the question of ironing out disputes, but apparently it has been so convinced that nothing could be done, that they did not have any disputes.

Q. Tell me this, doctor: Do you know whether or not when they have made suggestions of co-operative measures they have been opposed by, for example, communities, or perhaps even members of your Association, your Federation?

A. Well, I have never been aware that any members of the Association have prevented any economies taking place. I can well imagine that local pressure has used pressure on the Board of Transport Commissioners in some places to prevent lines being taken up, for instance. That is probably one reason why they have not been able to do much.

Q. Do you think, for instance, that a body of the type that you suggest would overcome difficulties of that kind?

A. No, a body like that could not overcome local pressures; that is true.

Q. I assume, doctor, you have seen the list of co-operative measures that have been suggested by the railways, that have been turned down by the Board of Transport Commissioners?

MR O'DONNELL: On objection by many of the people Dr. Hope represents, in many cases.

MR COVERT: Q. I was just wondering if a situation of that kind is remedied at all by the type of organization that you suggest, and I am asking you if perhaps there is not some other measure, some other method. Perhaps if a body such as you suggest comes to the conclusion that there should be co-operation or abandonment of a line, it should be taken out of the hands of the Board of Transport Commissioners; would you go that far?

A. I don't know; I have not given it thought in that respect; I would not like to commit myself.

Q. All I wanted to find out, doctor, was just how far you had carried your thoughts in the matter, and if you had any further helpful suggestions to the Commission?

THE CHAIRMAN: Q. Have you any instances in your brief or elsewhere of certain economies that might have been made and were not made?

A. No, but on looking over the C.P.R. brief a couple of days ago I noticed a list of the projects which I believe were under consideration for some time and have not been done yet, and on looking over the list, I know of a few ones in my own personal experience. They mention, for instance, the City of Saskatoon. I know that very well; I lived there for fifteen years. There are two railway stations there. That is not a case of unused equipment. The C.P.R. station at Saskatoon is asleep half the time; that is,

you go there and the man is there only half the time on duty; but, in other words, there is very little traffic.

Q. Well, what might be done in Saskatoon?

A. A union station, one station. The C.N.R. station, it would appear to the people in Saskatoon, could very well handle the traffic of two places. That is one example.

Q. Would that effectuate a saving?

A. Well, I believe it would. There must be some cost of upkeep of the station itself. The C.N.R. is a large station, it is the good one, and the C.P.R. is a small one, a rather old-fashioned type. There are two stations in Tisdale. In many places in northern Saskatchewan there are two stations that the railways could perhaps use together. It is true it is a technical question; as an outsider I see it, and people talk about it.

MR COVERT: Q. Would you talk a little louder, please?

A. I say in many parts of northern Saskatchewan you will find two railway stations in the same town, and to the outsider it looks unnecessary, and the feeling of many people is that one station would suit them better -- a little cheaper.

Q. Take a place like Saskatoon, doctor; I suppose during the war perhaps both stations were necessary; would that be so?

THE CHAIRMAN: Both stations what?

MR COVERT: Q. I am just asking if during the war both stations were necessary?

A. Well, that would be a question for the railways to answer, but I would not think so. I cannot see that there was such a terrific increase in traffic to Saskatchewan.

Q. I suppose it would be natural, too, that during the war consideration of all these projects would be discontinued?

A. I suppose so, yes; and of course as far as Saskatoon was concerned, the C.N.R. and the C.P.R. both run midnight trains. We have got pool trains in Toronto, Ottawa and Montreal, but they do not run pool trains between Regina and Saskatoon. They travel slightly different routes, it is true, but they leave at the same hour and get in at the same hour -- about half an hour difference.

THE CHAIRMAN: Q. But they go through different localities?

A. They probably do, yes.

Q. And the C.P.R. I think goes farther; it goes up to Prince Albert.

A. The night train?

Q. Yes; and the C.N.R. stops at Saskatoon. I was going to say, do you think one or the other of those trains should be abolished?

A. Speaking with the knowledge I have at the present time, I would say yes. Now, it is true, you might say one line goes on a different line, and there might be some inconvenience to people there, but there is a good bus service, government bus service there now, and they seem to be giving lots of service to people.

COMMISSIONER ANGUS: Q. When you say that there may have to be eventually unified management if adequate economies cannot be effected by co-operation, had you any idea in mind of what economies would be adequate, whether it is a million dollars a year, two million, or three million?

A. Well, the 1931 Commission made many statements about what savings could be made, some fifty or sixty million dollars.

Q. A year?

A. Mr. Beatty said sixty million, I believe; the C.N.R.

said somewhat less, but I believe then the C.N.R. claimed, Sir Henry Thornton suggested, around fifty million or thirty million -- in the millions, anyway -- and then he said that this Act that he was suggesting would give as much economy as amalgamation would. Well, we have had the Act, and we have only saved a million dollars a year.

Q. And you consider that it might be practicable to save as much as thirty million?

A. That would be a good saving, yes, it would be a good saving. That would take some pretty major operations and co-operation, to get thirty million.

MR COVERT: Q. Doctor, in the second paragraph on page 6, where you say:

"That the Railway Act be amended to provide that the Board of Transport Commissioners when considering general freight rate revisions must take into consideration the extent to which the railways have endeavoured to bring about economies by co-operation or in accordance with the recommendations made by the tribunal proposed in Recommendation 1."

Now, I just wanted to get, if I could, an example, to see if I follow exactly what you mean. Supposing, for example, the tribunal was set up in the manner you suggest, and they made recommendations which they estimated would save a million dollars a year, and we will say that the railways made an application to the Board of Transport Commissioners for increased freight rates, and showed that their additional revenue requirements were X dollars. Now, your suggestion, I take it, is that the Board of Transport Commissioners would say, "Now, have you put these things into effect?" -- that is, assuming there had been time -- and the railways said, "No," and then the Board of Transport Commissioners would simply say, "Well, your requirements, your revenue

requirements, are X, but you could have saved a million, therefore they are X minus one million, and we will take that into consideration in adjusting the increase in rates." Is that what you have in mind, something like that?

A. Well, something like that; not necessarily a question of mathematics, though. You are refining it down to rather a mathematical situation, but the Board of Transport Commissioners naturally has judgment to use in a case like that. But we thought that something like that would more likely bring pressure on the railways to put into operation some kind of economies. If they felt that they did not have to go to the Board of Transport Commissioners, did not have to justify their stand -- rather, if they had to justify it, they are more likely to put into operation some kind of co-operative measures.

Q. In other words, your suggestion is really, then, an attempt to enforce co-operation?

A. That is a fairly good expression, yes.

Q. Now, doctor, would you turn to page 11 of the brief, and down in the paragraph immediately below the table on page 11 it says:

"Freight rates per ton mile are now 14 per cent higher than in 1920, the highest peak of post war inflation in Canadian history. In 1948 they were 10 per cent higher than in 1920 on a volume of business twice as great. Yet in 1948 the C.P.R. only made \$18 million from railway operations compared with \$33 million in 1920."

Now, I was just wondering whether you are suggesting that this is an indication of inefficiency?

A. Well, it is a suggestion that there is something in there in the equation that just does not seem to fit the picture -- put it that way -- whether it is inefficiency or

whether they have increased wage rates too fast, or whether there is extravagant use of materials or something or other, there is something in there that we have not had time to dig out. On the face of it it looks just a little odd to us. We have tried to make a few studies in our short time, and there were a few things that looked queer to us, but we did not have time to put them here, put them in a brief.

Q. I wonder would you give us an idea of just what those few things were, doctor?

A. Yes. For instance, the number of ties laid per man hour is a lot lower than what it used to be. Maybe they have got some technical reason for that; I don't know. The question of the apparent use of materials within recent years---

THE CHAIRMAN: Q. The question of what?

A. Use of materials, in maintenance and so forth, seemed to be heavier than what it was before.

MR COVERT: Q. I just want to get that second one?

A. I think it was the use of materials. I would not like to say positively on that, but it was something to do with that, and I did not have time to work it out; I dropped it at the time. Then there was the question of the freight handled per man, the question of miles travelled per engineer, and so forth. There was not the increasing efficiency that you would expect over a period of time, for instance.

THE CHAIRMAN: Q. You mean there were more miles travelled per engineer, or less, or what?

A. Well, you would expect that the increase in efficiency might save three per cent a year over time, and it just was not as -- it did not increase as much as you would expect.

MR COVERT: Q. Now, in making these studies, I

realize, doctor, that you said you had not had an opportunity to go into them in detail, but did you make comparisons, for instance, with class 1 rates in the U.S.A.?

A. No.

Q. You did not?

A. No. What we had in mind -- and we are talking about this efficiency study somewhere else -- labour has had increases in wages, quite an increase in real wages, and we are wondering then if the increase in productivity per man in railroads has warranted the increase in real wages. Perhaps it has, but to the best of our knowledge nobody has ever studied it to find out, and the public of Canada are more or less paying the shot, because the freight rates are set now by the Board, it is not a free market, and when the public has a Board more or less setting freight rates, then it feels it would like to know just what is the efficiency of the people it is paying through its freight rate structure.

THE CHAIRMAN: Q. Then do you say that an increase in the worker's wages should result in an increase in what he produces, the volume of his production, his productivity as you call it?

A. The increase in real wages, yes, should bear some relationship to his increase in productivity.

MR COVERT: Q. I was wondering, doctor, if you meant that, due to technological changes, the productivity of the railway employee should have increased. Do you suggest, doctor, that whenever there is a raise either in the amount of wages or in the actual rate of pay -- that is, the dollars and cents per hour -- you would expect an increase in productivity?

A. Well, yes; that is how the whole system works over a period of years. The farmer can only get a rising standard

of living if his productivity increases. The nation as a whole gets a higher standard of living through producing more per capita, moving more freight per capita, handling more passengers per capita, or sending more telegrams per capita, or something. You have got to have some increase in productivity to warrant the increase in real wages.

Q. Would you say that that applied, for instance, to---

THE CHAIRMAN: Q. Yes, but there is a distinction there, I think. Do you mean to say that the railways must have greater revenues before they increase wages? That is one thing. If the farmer must have greater revenue before he increases the wages of his farm workers, I understand that. But I thought you said that each worker when he gets an increase of wages must then turn around and produce more; isn't that what you said at the beginning?

A. I think the increased productivity should come first, sir.

Q. Well, suppose here is a worker on the railway who is working so many hours a week, forty-eight hours a week, and he is doing a certain job; then his wages are increased; how can he expand his activity? How can he do more than he was doing before?

A. Well, I think, sir, that is putting the cart before the horse. I would say that first of all through new mechanical equipment and perhaps a greater investment in capital structures per man the productivity of that worker could increase, and therefore a higher wage is warranted.

Q. That is to say, the railway should give him facilities of work which would increase his output?

A. That is correct, sir; but if for some reason---

Q. Otherwise they should not increase his wages?

A. Yes.

Q. Even if the cost of living goes up?

A. Well, that is a point. I suppose in time of inflation you would have to consider that a certain amount, but basically over a period of time the other argument would hold true.

MR COVERT: Q. Now, doctor, tell me this: Do you know of any similar efficiency study that has been carried out, for example, in the United States?

A. No, I am not aware of it.

Q. In any other country?

A. No; I am not familiar if they have made them.

Q. I was going to ask, if you had, if you knew of the results. Now, I should like to find out just what you had in mind an efficiency study should involve; would it be something more than comparisons of say statistics and comparison of this railway with class 1 railways, or would you think that it would mean the actual sending in of efficiency experts to go over the railways to see what they are doing? Just what kind of study did you have in mind?

A. Well, I had in mind that it would first of all have to be purely a statistical study. The steam railways of Canada have been reporting, for a long period of years, very complete data, and that is available.

COMMISSIONER INNIS: Q. Where is this available?

A. In the report of the steam railways of Canada to the D.B.S.

Q. Do you think that is adequate?

A. Well, I think it is adequate to make a very good start, sir, a very good start, and there might be more details that they do not actually publish in printed form possibly in the Bureau. We have in mind a study of the physical work done, freight moved per person, different categories of labour, over time, and perhaps the C.N.R.

could be compared with the C.P.R. in this respect -- two railways, and maybe one is more efficient than the other; in fact, I would suspect -- you would not expect that the efficiencies would be exactly the same, and it may be possible to get some studies in the States to compare. We would like to see just how efficient they are, and if labour -- if they have increased their efficiency and productivity, we have no kick at all.

MR COVERT: Q. Supposing, doctor, that you did make such a study, a statistical study, and you found that the results of that were, generally speaking, that the Canadian railways were as efficient as class 1 railways in the U.S.A., do you think that would be sufficient?

A. No, even that would not be sufficient.

Q. They would have to---

A. Well, now, it is partly a question of the rate of increase in real wages, that increase in their own efficiencies. You might have unions so strong in the States or so strong in Canada that they too might have very little increase in efficiency and yet have increase in real wages.

Q. Are you tying your efficiency study to wages generally, or to labour costs?

A. Yes.

Q. Oh, I see.

A. Oh, yes, that is very definite.

Q. Now, you also suggested that you would not expect the efficiency of both railways would be the same. I just wondered what you had in mind there.

THE CHAIRMAN: Would not expect what?

MR COVERT: That the efficiency of both railway systems in Canada would be the same.

THE WITNESS: Well, one is a government-owned railway and one is privately owned; that might be one reason for

a little difference. I don't know; it is possible.

THE CHAIRMAN: Q. Which way would that militate? Which one would be more efficient in that case?

A. Well, I would suspect that the C.P.R. likely would be more efficient.

Q. That is the privately-owned company?

A. I would think so. It is a pure guess. On principle I would think so.

COMMISSIONER INNIS: Q. You are a private enterprise man?

A. Well, I believe in it, yes. And other reasons might be that the difference in the physical structure -- that is, the whole set-up of the C.N.R. is more difficult to handle than the C.P.R.

MR COVERT: Q. It has been suggested that they have unremunerative lines, built on grounds of national policy; I suppose that would be a factor that would enter into comparative efficiency?

A. Yes. Thin traffic lines are more difficult, it is true, I presume, to be as efficient per man in handling freight and what not, than the heavier ones.

COMMISSIONER INNIS: Q. Wouldn't you expect that the accounting systems would be rather similar in the two railways, that you would get about the same results, and that you would have very little to go by as far as efficiency was concerned?

A. Well, a lot of the efficiency study would be in physical units there, and I do not think the accounting, dollars and cents, would enter into it. The dollars and cents would enter into it partly as well, likely, but a great deal of it would be physical study, I think.

Q. But that would not come out in the Bureau of Statistics?

A. The physical figures?

Q. Yes.

A. Yes, they have published quite a lot of physical figures -- ties bought and sold, different kinds of ties laid, steel rails laid, tonnage of steel rails laid, freight tons carried and passengers carried -- there is an awful lot of it.

Q. Would it be enough?

A. I would not say for sure, but I think it would be enough to start somebody digging into it, and it may be as a result of that study that they would realize that further information should be tabulated annually to keep a constant check on it.

MR COVERT: Q. Now, doctor, I wanted to take you to page 13 of your brief, dealing with the Crows Nest rates. Doctor, your first recommendation there is that wheat production and the export trade in wheat -- that is one of the facts on which you base your recommendation -- wheat production and the export trade in wheat is the most important single economic activity in Canada; and, secondly, the wheat economy of the prairies is the key to the whole agricultural industry of Canada, and you say:

"We would insist that in the national interest grain freight rates continue to be statutory rates, and accordingly under the direct control of Parliament." Now, when you say under the direct control of Parliament, you meant that the only way in which they could be changed is by Parliament?

A. Yes.

Q. And that the grain rate should stay fixed?

A. Yes.

(Page 7630 follows)

Q. Now I take it that you say that, no matter what happens to the price of grain?

A. Yes.

Q. Even if it went up to \$3.00 or \$4.00 a bushel you say that the rate should still be the same?

A. No, I don't say it would be the same. We say that Parliament could change it if it is a serious enough thing. If it is a serious enough thing then Parliament can change it.

Q. Now Doctor, there have been some suggestions that these rates should be under the jurisdiction of the Board of Transport Commissioners rather than Parliament, and there have been some suggestions that they should be treated, I think, on the same principle as the Maritime Freight Rates Act, so that railways might be subsidized if the rates were either loss rates or lower than normal, we will say. Would you care to make any comment on that?

A. Well, I would just say this, that we see no special advantage of that system over the present one, but if they need to have a higher freight rate on grain and Parliament can change it, I don't think there is any special need to change that.

Q. How would you suggest that Parliament would change it? How could Parliament decide as to how much change was to be made in the rate?

A. Well, the Railway Committee presumably could investigate. The railways and different interested parties should have a hearing before the Railway Committee and they could recommend to Parliament just what could be done as they have done in the past.

Q. I am just wondering why you suggested a Railway Committee should do that rather than the Board

of Transport Commissioners who ordinarily deal with rates?

A. Just because we consider that it is such a thing of national importance, so important, and it has gone on so long, so long now that we feel that it would be better handled by Parliament.

Q. Now Doctor, I would just like to take one point up with you on that and that is; it has been suggested that if these rates remain statutory and never subject to change, and as you say they have gone on so long (I believe there was one period of interruption in the last 52 years) that if there are any other increases, if there are increases in freight rates, that the rest of the traffic must bear the burden of those increases. I suppose you agree with that?

A. Could you just repeat that again slowly?

Q. If the rate on grain is frozen by statute and the railways must have increased freight rates to provide increased revenue to meet increased expenses, then the rest of the traffic other than grain must bear the burden of those increases?

A. That would apply, of course, to any kind of traffic. It applies to passenger traffic. I think the C.P.R. in their brief, implies that the grain growers of Western Canada should subsidize the carrying of passengers. All the freight rates in Canada are high because passengers have to be carried below cost. That applies to all competitive rates and to the entire freight rate structure, not any more on grain than any other product, assuming first of all, of course, that that is a debatable point sometimes.

Q. Then according to what you say, if competitive rates are low that the rest of the traffic must bear the

burden of increases. That is what you say, is it?

A. Yes, in total because the total must be sufficient to keep the railways going.

Q. But supposing the competitive rates were compensatory and supposing the grain rates were not, would that make any difference?

A. Well, if you had any examples where competitive rates were compensatory, but isn't that an argument of a case that never takes place? Are they ever that way?

THE CHAIRMAN: What is your question?

A. I said it seems to me that competitive rates are never compensatory.

THE CHAIRMAN: We are told that it is part of the make-up that they must be to a certain point?

A. Well, competitive rates, I would say, in most cases from what I have been able to read, come out of the out-of-pocket expenses and do not contribute anything. That is some of them do not,

MR. COVERT: Well Doctor, I suppose-would you go this far, that perhaps the compensatory nature is an important factor as to whether or not rates should be changed? Do you think that all rates should be compensatory?

A. No.

Q. You do not?

A. No. A farmer produces a lot of products but they are certainly not simultaneously all compensatory. Half the time he is losing on something and making on the other. He would love to have that all compensatory; it would be lovely if he could, but he never does though.

Q. Do you think when there is such a vast movement involved as the movement of grain, that if the rates are not compensatory that the railways should be subsidized?

A. No, not necessarily.

Q. Even if they were not compensatory the railways should haul the grain and they should get the needed revenue from other traffic?

A. Yes, like they do in all of Eastern Canada where they are competing with water. They are not subsidized because they have low rates because of water competition or truck competition.

Q. That, of course, is based on the assumption that those rates are not compensatory, is that it? I just want to follow you Doctor.

A. Well yes, there is no need for railways to be subsidized because of that?

Q. After all, I suppose the reason you suggest that the Crow's Nest rates should remain statutory, those two reasons are set out in your brief, namely, from the point of view of the export trade, you say it is the most important "single economic activity in Canada and the wheat economy of the Prairies is the key to the whole agricultural industry of Canada". Therefore, it is the preservation of that rate to save these two important factors, that is, to continue the wheat economy and to preserve this export trade. It is the preservation of that low rate, or perhaps I should not call it a "low rates" - a statutory rate, that is the important thing from your point of view. Is that right?

A. Yes, it is quite important.

Q. Well what I am suggesting to you is, supposing that that statutory rate were preserved from the point of view of the farmer or the producer, but that if it were found to be non compensatory and the railways were subsidized, would not that still meet all your requirements about the preservation of the export trade; the

farmer does not have to pay any more, the producer does not have to pay any more; your export is still continuing?

A. Well, that is true, it would leave the farmer apparently in the same position, but the farmers of Western Canada have more faith and feel more secure in that industry if Parliament would be the one that would control the rates directly on wheat rather than have any other method.

Q. What I was suggesting, Doctor, was a remedy, that for instance that rate could still be left to Parliament, the rate the producer had to pay for the shipment and still be fixed by statute?

A. I imagine yes, if you could get that kind of legislation, if it was an Act, written into an Act that that present freight rate would be maintained by statute, yes, and then of course, as long as the farmers were quite convinced that that was not disturbed. It would have to be written into an Act though to satisfy them.

Q. The main worry, as I understand it from you, is that the actual rate payable by the producer, or farmer, or shipper of that grain should not increase?

A. No. Supposing, we will say, a rate were increased. Now it is true I have not examined very carefully that C.P.R. statement on the Crow's Nest Pass but looking over the figures, it looked to me like about 5¢ or 6¢ a bushel made up the complete compensatory increase on freight rates on grain. Now our contention would be that the farm prices would be reduced by that amount. That goes back to your first question. We are quite positive of that because the wheat prices are not set in Winnipeg; they are set in Chicago and Liverpool and wherever it may be throughout the World, and the World is not going to change its price on wheat because we change freight rates

here. They are going to take off 6¢ from all the elevator prices for that wheat, oats, barley and flax. We will take the example of doubling the taxation on Western Canadian farms. You can imagine what agricultural earnings would be if they just doubled the over-all taxation on their land. That is what it would amount to and I know that no one could hesitate to feel that doubling the tax structure on land would cause heavy, serious changes in the economy of the West. For instance, it would likely shift them to livestock production. Instead of shipping out grain they would turn it into fodder for cattle or hogs or butter. You may say "But that is fine" but can we sell our butter and hogs? They would shift hogs out here and butter and the Eastern Canadian market would be flooded with it. We cannot sell it overseas; there is no market for hogs to speak of overseas; there is no market for animal products overseas but there is for grain and that is why we feel that nothing should be done to disturb the Western farmer, so he would not be shifted into livestock in a large way. That is why we say this Crow's Nest rate affects not only the Western farmer but the Eastern farmer because the Eastern farmer is in continuous competition with the Western farmer, and if we flood the East with bacon and hogs from the West we are either going to have to eat it ourselves at low prices or subsidize its export - give it away to the Arabs or something.

COMMISSIONER INNIS: Q. Have you seen the brief of the Saskatchewan Pools?

A. Yes.

Q. They made quite a point of building up their livestock industry to secure a balanced type of agriculture?

A. Yes.

Q. You would not be sympathetic with that?

A. I would be sympathetic only to the extent we will say of beef cattle. Beef cattle and wheat production are two pretty natural things to the West, hogs in some parts, milk production in almost no part except around Souris, and I know that the Eastern farmers are very worried about that fact, and that is why we feel that it would be a drastic situation if anything changed the freight rate on grain. Whether it is possible to get an Act of Parliament which would make the Western farmer feel secure, and then have some method of subsidizing the railways, that is a different matter.

Q. But on the whole you are very much concerned about the political weapon rather than the administrative weapon as the device for the control over rates? I mean by the "political weapon" something that depends upon Parliament rather than some other weapon?

A. Yes, the farmers feel it would have perhaps a stronger case to change freight rates by that method than the other. Of course, we know the railways have high costs now, but we are at a peak of inflation and a lot of people will say that this high peak is not going to last, and it might very well not. It is just as if we were suggesting a violent change in economy in July 1920, when it took say 25 years before we got back to that point again. A lot of us feel that that same situation is taking place today, and if we make violent changes today based on the present prices received, it might be entirely different in the next ten years.

MR. COVERT: What I was chiefly interested in was this, that if a statutory rate could be fixed by Parliament and some means given at the same time of subsidizing

the railways, for instance finding out for example whether or not the rates were compensatory and giving a subsidy for the difference, that as long as the farmers were protected from paying an additional rate over and above the Crow's Nest rate, would not that suit your purpose?

A. Well I would answer that this way. First of all I will give my answer from the personal point of view because the Federation from the point of view of policy did not look into that in detail. Personally, I would say it was satisfactory so long as the farmers of the West were assured that they had that stability in freight rate structure that they have had for so long, and which the are afraid of having disturbed, and the railways if they could prove that they have good rates for the people at large.

Q. Now Doctor, would you now turn to page 14 of your brief where you deal with the feed freight assistance policy and your recommendation is:

"That the feed freight assistance policy be incorporated into our freight rate structure as a permanent feature of our national agricultural programme, this to be brought about by Parliamentary Statute similar to the Maritime Freight Act".

Now I take it that what you mean there is that the present policy be continued and that the railways be subsidized, that this be made a statutory thing (I understand now it is by Order-in-Council) that it be made a statutory thing, and the railways be subsidized on the same principle as the Maritime Freight Rate Act. Is that your idea?

A. Yes.

Q. Now does this mean that you would make a statutory

rate or does it simply mean that that rate might go up and down with causes that normally determine rates, and then the subsidy paid to the railways for the difference?

A. Yes, your last suggestion was what we had in mind, that there would not be a statutory fixed rate but that rates could fluctuate from time to time according to the general freight rate structure.

Q. But your main purpose is that you say this has been a great deal of good to the Western grain producers and it has also done a great deal for the Eastern farmer?

A. Yes, it has built up quite an industry over time, especially in the Maritimes where agriculture has always been suffering perhaps quite a bit, and I believe the farmers in the Maritimes and, to some degree, in Quebec too, have felt that has been a great boon to them in the last ten years or so that they have had it, in the Maritimes particularly.

Q. Doctor, do you feel that this method of subsidizing production of this kind, do you feel that that is a sound method of doing it through the freight rate structure, with subsidies applied in that way?

A. Well, we often hear people say "We would like to have them subsidize but don't do it our way". The actual mechanics, the machinery of subsidizing, we will say if it is necessary for Eastern livestock produced in the Maritimes and parts of Quebec and Ontario, the method of machinery in this act is actually the simplest method that anyone has devised. There is no way I know of making it simpler. You might say "Give them a bonus" or something of that sort, but then you have to limit the people of certain provinces to get the bonus. That would not be practical as it would entail checking

through books and checking balances and so on. Forgetting about the principles of subsidies this is a simpler way at least.

Q. It is the practicability of this method that appeals to you?

A. Yes.

Q. Now do you think that there should be some time limit placed on this? For example, do you think that eventually the production in these areas should be able to stand on its own feet and pay, for instance, normal freight tariffs?

A. No, I am afraid not. Once the principle of subsidy was embarked upon certain vested interests - that is not quite the word - they build up their economy over a period of years and are well established under this method, and pulling the plug on them, there is no way that they can sort ^{of} become gradually more efficient over time as the tariff did expand their volume of business with lower costs. No I am afraid if you pull the plug on them they will think they are torpedoed, because it will make quite a difference to them, say in all these sections where they are producing dairy products, eggs, and hog products based on cheaper feed.

COMMISSIONER INNIS: Aren't you going far to making it difficult to produce livestock for export? Wouldn't you be to some extent subsidizing exports? You are in a sense directly opposed to the Saskatchewan's pools brief.

A. In livestock products?

Q. Yes, you are actually encouraging the export of feed grain which presumably means you will have less available for the livestock in the Prairie provinces?

A. Export grain to outside of Canada?

Q. No, I mean to other regions.

A. Exporting it to the Maritimes?

Q. Yes.

A. You mean that opposes the Saskatchewan brief that wanted to feed the livestock at home?

Q. Yes.

A. I guess there is a conflict but I guess there has got to be a conflict there.

MR. COVERT: Perhaps what Dr. Innis is saying is that if they follow this policy they will build up an industry in other parts of Canada, and the Pool says "This should be built right up here where we are growing the grain".

A. All I can say is this; the climatic condition is such in Western Canada that I see no hope over a period of years or an indefinite period of years of having a stable livestock industry in Western Canada except in a belt to the north, and as long as the plains try to go into livestock periodically they are going to have trouble. As long as they go into livestock on the plains, except beef cattle, they will have trouble. It will fluctuate violently from year to year whereas out here in the East there is far more chance of building a fully stable livestock population with less violence from year to year. I know it has always been talked of in the west because of soil conservation, but pigs do not conserve soil and chickens do not conserve soil, but a beef cow does and a steer and a dairy cow does, because they use pasture and grass which will conserve the soil, but you can't make any money in Saskatchewan milking cows - never have been able to - but you can do it through beef cattle, and that is why we said before and I feel that wheat economy and beef economy is naturally fitted to

the plains and conservation of soil. I would not like then to leave the impression with the Commission that I am depreciating the possibility of the West going into more hogs in the North around Edmonton and Northern Saskatchewan and in the Carrot River Valley where the crops are fairly uniform from year to year, they have been doing it, and nothing we can do or say will change them.

MR. COVERT: Now Doctor, I will take you to the chapter in Part IV in your brief dealing with the capitalization of the Canadian National Railways and ^{as} the subject generally is dealt with by the Canadian National Railway brief, I do not propose to take you through the figures. I think perhaps it might be observed that it is quite remarkable how closely you and the Canadian National Railway people coincide?

A. I noticed that too. When I got back and read the C.N.R. ^{brief} I was quite surprised that it was similar. The thing that bothered me was that my figures did not quite jibe with the C.N.R. and I found great difficulty in getting any figures out of different books, either C.N.R. or C.P.R., which are consistent with respect to railway earnings, net earnings, fixed charges and so on. Every now and then they change the method and take \$1,000,000 out that does not appear in any other table, but apart from that, the figures in our brief here, on the average over a ten year period, come very close, I think, to the C.N.R. figures.

MR. O'DONNELL: We find the same with farm figures.

COMMISSIONER INNIS: But it is purely coincidental?

MR. FRAWLEY: Mr. Gordon will be looking for you to give you a new job.

MR. COVERT: I did want to suggest to you that perhaps

your method of - I think you suggested that one period was inflated and another deflated, and I think you took an average between the two, and you eliminated one or eliminated the other?

A. Yes, we took the average of two periods, one which we thought was depressed too much and another which we thought was inflated too much.

Q. I was thinking we could perhaps continue to have periods like that and that perhaps you should take that into consideration? Perhaps that is a more proper method?

A. Well, we preferred to take the more hopeful one.

Q. Then I wanted to ask you also, Doctor, if in general your idea behind the capital revision was that it would provide incentive to the management and employees of the Canadian National Railways, if that was the main reason for the recommendation?

A. Yes, that was the main reason. We felt we wanted to put the railway on its feet to have a chance to be operated in its own way, and that the employees would feel that they were working for an organization that had a chance and was not always shown in the red.

Q. Did you think that perhaps this would put them in a more comparable position with the other railway in Canada, the Canadian Pacific Railway? Did you have that in mind?

A. No, not particularly because we felt it was very difficult to make that comparison. It is extremely difficult when the C.P.R. has a very low debt service now and a debt structure, and the C.N.R. still has handi-caps. It is pretty difficult to make them strictly comparable.

(Page 7650 follows)

1891

1892

1893

1894

1895

1896

1897

1898

1899

1900

1901

1902

1903

1904

1905

1906

1907

1908

1909

1910

1911

1912

1913

1914

1915

1916

1917

1918

Q. Now I take you to Part V of your brief, at pages 19 and 20, and the sum and substance of your recommendation in connection with so-called other earnings of the C.P.R. is that these should be thrown into the general pot in connection with the calculation of revenue requirements for rate-making purposes; that is, regardless of where the income comes from, whether it is railway business directly or perhaps indirectly associated with it, or perhaps not associated with it at all, but simply the assets which produce the revenue are owned by the C.P.R. Company, then you say that that should all be thrown in in considering revenue requirements in rate cases?

A. Yes.

Q. Now, I suppose you would recognize the possibility that there would be some danger in that; if you argued that the revenue should go in, then if they suffered losses they would also be able to get rate increases?

A. Yes.

Q. To recoup the losses that were not associated with the railway business in any way?

A. Yes; we feel that over a period of time they would not lose on that.

Q. It is on the basis that perhaps you feel that the C.P.R.'s outside investments are such that the country would not lose much; is that it?

A. The country would not lose, no. I believe the Federation has put forward that proposition, as outlined in our brief there. We feel that the public now should get some benefit from what was handed or given to the C.P.R. a long time ago. The fact is that the taxpayers of Canada paid that. The Government is only another name for the taxpayers. The taxpayers gave that to the railway, and the railway's present assets of all descriptions have come, some, it is true, from

the issue of capital stock purchased by the public; a large amount of it must have come from the taxpayers, land grants, cash subsidies, a big chunk of railway, thirty-three million dollars; they have made profits and have been able to plow them back, out of the railways.

Q. I beg your pardon?

A. They have made the profits out of transportation and plowed them in; they have not paid all their dividends out. For twenty years they paid ten per cent interest on their share capital -- that is the kind of dividend you expect from a gold mine, which is supposed to be very speculative -- and so over a period of years generally speaking those total assets to-day have been built up out of transportation -- certainly the original base.

That is very nice now, to be able to chop them off and put them aside and get a freight rate structure that might give you five per cent on your railway property, and in addition to that have something else on which you can make ten or fifteen per cent which came from railway earnings originally. That is how the farmers feel about it.

Q. I see. I suspected perhaps---

THE CHAIRMAN: Q. What do you think ought to be done about it? That is the point.

A. Just do what we have suggested, sir.

MR COVERT: Q. You would not think, perhaps, Doctor, that it might be a dangerous proposition to have laid down as a general rule, that both profits and losses of outside undertakings should be taken into consideration in determining freight levels?

A. You mean dangerous from the point of view that they might lose so much on other income that the rates might be high?

Q. Yes.

A. They are so diversified, I doubt if that would be a danger.

Q. You make your test, then, I gather, from looking at what their present investments now are, and the present returns from those?

A. You mean because they are high now we are advocating that?

Q. No; I mean, what you are saying is, we look at the picture and we see that here they have this and this and this, and that presents in our view diversification; that is the test that you are applying; you are looking at what they have now?

THE CHAIRMAN: Q. You talk about diversification as being a sort of guarantee against loss, but I am not talking now of completely outside investments like Smelters, but take hotels and steamships and airlines, don't they all react to about the same conditions, travel conditions?

A. Yes, sir, that is true, but of course in a varying degree; they would be influenced the same, but in varying degree the same. That is the only little compensating feature there. We do not know about airline traffic in the future; it might boom.

Q. It is the traffic that supplies the hotels, for instance?

A. Yes. That would decline with passenger traffic, that is correct.

COMMISSIONER ANGUS: Q. Does it mean very much to say that these revenues should be taken into account unless you also fix the -shall we say reasonable dividend requirements? Would they go up somewhat if you took these in?

A. Do you mean reasonable dividends for farmers?

Q. On the common stock; wouldn't those be perhaps

higher if you took these into account as revenue?

A. I am sorry, sir, I did not quite get the question.

Q. I asked if it meant very much to say that the outside revenues, non-railway revenues, should be taken into account in determining freight rates, unless you had some fixed standard of fixed charges plus dividends and so on to measure them against?

A. I do not quite get the connection yet, sir.

Q. Well, five per cent or ten per cent on common stock---

A. You mean to say, if you did that you would require, for instance, they must not earn more than a certain fixed dividend on their other investments, common stock?

Q. Yes.

A. Well, as it is to-day, when they come to their fixed charges they require a certain fixed interest rate as a charge on the common stock of the C.P.R. which includes them all; they are all lumped together.

Q. What rate would you allow on that?

A. What rate in that case?

Q. Yes.

A. Well, if I were going to give the rate that the farmers get, I would make it three per cent.

MR COVERT: Q. On common stock?

COMMISSIONER ANGUS: Q. On the investment or on the common stock?

A. Well, I would say on the investment of the company.

MR COVERT: Q. I think perhaps -- you can correct me if I am wrong, Dr. Angus -- I think Dr. Angus' point is, if you do say, "We will allow them three per cent on the investment," then if these other things come in, for instance hotels and so on, you increase the investment on which the three per cent is allowed?

A. Yes. Naturally, as you plow back surplus earnings and increase the capital investment of the whole business, it is only natural that the total requirements would increase with respect to dividends. That would only be fair.

Q. Doctor, I did notice that you said that for a period of twenty years they paid ten per cent. Have you figured the percentage, the dividend rate that has been paid on the common stock, the average dividend rate over the whole period of its history?

A. No, I have not. I noticed prior to those twenty years it ranged from two to six, and then after that twenty years there was a five, and there was a gap of a few years and then it was five in recent years. I have not figured it out; maybe four per cent over a period of time on common stock.

Q. If it was around four per cent, would you consider that that was too high to have paid over the period of years on the common stock?

A. No, four per cent would not be too high, but of course you have got to take into consideration the possibility of the original value of the stock being worth much more to-day. Now, I don't know; I suppose somebody has figured it out, because in addition to earning that four per cent they have obviously kept back something, kept plowing it in. I noticed, for instance, in their requests in these hearings before the Board, the general freight rate hearings, they asked for their needs, the railways, five per cent or something or other, and something else. They want five per cent and something else to maintain or expand their equipment. In other words, they are not asking the shareholders to invest in a stock and get five per cent and out of that save themselves; they want five per cent and an addition to that to expand the plant.

Q. You think---

A. I think it is too much.

Q. You think there is something wrong?

A. Absolutely, definitely. That is, it seems to me, from the point of view of a farmer -- and I am a farmer -- that if I can earn five per cent on my interest, on my wages, which I am lucky if I do, if I want to buy a larger farm or if I want to buy more equipment, I have got to take it out of my earnings, my five per cent and my salary. Now, the railway specifically asked for five per cent and more to expand; that is right.

Q. Well, perhaps what they are asking is five per cent; they want something to be able to pay five per cent to the people who invest their money. In other words, you might say it was five per cent for the use of the money, and then what they want is out of earnings to be able perhaps to put something aside for a rainy day or for expansion. Now, what I was going to ask is, take the ordinary farmer, say he has an investment of perhaps \$20,000; five per cent of that would be \$1,000 a year?

A. That is right.

Q. Or three per cent, as you suggested, would be \$600?

A. \$600.

Q. Now, is that the basis on which you make your comparisons?

A. Yes. I mean to say, if a farmer -- yes, with a \$20,000 capital he makes five percent, \$1,000, and he makes his wages besides. If he wants to buy another farm or wants to buy more machinery or increase his capital equipment he has got to take it out of his five per cent, which is the \$1,000, or take it out of his family living, his savings. That is how he expands. The railways, it seems to me, in those submissions say, "Now, in our requirements we need five

per cent for dividends and a couple of" -- I think it was two per cent for further expansion -- just as though the farmer should get seven per cent instead of five. Now, as a farmer looks at that statement he is amazed; he thought that savings came out of earnings, out of dividends; he did not expect to see the person who buys the C.P.R. share get five per cent and then be told at the end of the year that management has been able to have a further two per cent stuck into further capital expansion. I know that has been done, and industry generally expects it, so possibly precedent says it is all right.

Q. I take it what you say, doctor, is that they should be allowed to earn that, and then they pay that five per cent out to the shareholder, and then where would they get money to expand?

A. They would not pay out five; they would pay out three or pay out four, because that is what you expect.

Q. Then where do you suggest they should get the money to expand? I just want to find out.

A. Well, if they can earn five per cent they can pay a four per cent dividend or a three per cent dividend, and keep the other two and plow it in. That is how we all do.

Q. And that in your view would be sufficient?

A. I think it would. It would be sufficient to this extent, that there was a time when railways were supposed to be very, very speculative, expanding into a new territory, and now it is big business, more stable over a period of time, and---

COMMISSIONER INNIS: Q. You suggest a take-home pay of three per cent?

A. Yes. If they should be told, for instance, that they have another two per cent, that is being added to their capital, continuously, and compounded, why, I would say that

was very good. A compound rate of return of five per cent over a period of twenty years looks pretty good.

MR COVERT: Q. Now, in Part VI of your brief, that is, the last part of it, on page 21, doctor, you speak of the method of dealing with special rates, and I am asking you if your suggestion amounts to this, that any special rates now in effect should be left as they are, and they can only be removed with the approval of the Board of Transport Commissioners at a public hearing?

A. Well, of course, our experience in that, I suppose -- the farmers -- the reason for putting it that way is through their experience in a few typical cases this year.

Q. Seed grain?

A. Seed grain -- been on for a long time, and special rates on farm machinery to western Canada on for a long time, twenty or thirty years, and some other rates around that period of time. They have sort of become accustomed to them, and then out of a blue sky to have the railways just say, "Well, thirty days from now we are just discontinuing it -- bang!" -- it gives us a sort of shock, and they feel that there ought to be some method whereby in cases like that a special hearing is being held. Now, we will say this, that the Board of Transport Commissioners did have the power, apparently, out of their own free will; they voluntarily did that, you might say; they held their hearing. We are satisfied; we have had our chance. But if it was not for the -- I was going to use the word decency or fairness of the Board of Transport Commissioners -- the Board of Transport Commissioners were not required to hold that hearing, as I see it; they could have just said, "No, let the rate go through."

Q. What I was going to suggest to you was that perhaps if those conditions did pertain, perhaps there would be

no more special rates; have you thought of that?

A. That is possible, but in many cases the railways put on the special rates so that they would benefit them as well as the shipper. It is not a one-sided thing, you know, and if they do not see fit to put in a special rate, I suppose that is all right, the shippers cannot have any complaint.

Q. What I thought, doctor, was that presumably one railway puts in a special rate, doing it perhaps to encourage an industry so that that industry will give them more business; isn't that right?

A. Yes.

Q. That is generally, I suppose, how they have come about?

A. M'hm.

Q. And when they do that, I suppose when the industry gets on its feet, perhaps they feel that they should have a right to raise that special rate, especially if they have been having a little difficulty with revenue requirements themselves?

A. M'hm.

Q. Would that be fair?

A. That is fair, yes, that is fair.

Q. And my understanding is that for instance in some of these so-called expiry rates, they are for a limited time; that is correct, is it not?

A. Yes.

Q. And they expect when that time comes along they can in the ordinary way just say, well, that rate is no longer in effect. Now, if they could not do that, what I am suggesting is that they might not adopt the policy of putting in these so-called special rates or expiry rates?

A. Well, I suppose, yes, there is a danger of that.

On the other hand, if the railways have a good case -- and in most cases, most times, they would have a good case -- I do not see why they would object very seriously to having a public hearing on the changing of a rate.

Q. Now, doctor, just one more question, and that is, I wanted to find out, what principles do you suggest should guide the Board in a public hearing of this kind?

A. You mean to say with respect to the changing of the rate?

Q. Yes, with respect to a change of a special rate. For example, would they consider a matter such as this? Suppose the railways established that they were definitely loss rates, if that can be established---

THE CHAIRMAN: Well, in the first place is there not this, that the Board has already fixed the higher rate; the ceiling is there.

MR COVERT: That is right, sir.

THE CHAIRMAN: Q. Well, on this hearing would it be a re-hearing to reduce that ceiling to the special rate?

A. No. I think what the question was, sir, was---

Q. What position would the Board be in? At some time they fixed a higher rate as the regular rate.

A. Yes.

Q. You must remember that; they have done that.

A. Yes.

Q. I suppose for what they considered good reasons. Then the railway makes a special rate which is lower?

A. Yes.

Q. Then you say the railway ought not to be allowed to revert to the higher rate without going back to the Board; isn't that right?

A. Yes.

Q. And then in that case it would be a reconsideration

by the Board of its original rate, wouldn't it?

A. I presume so, although I tried to find out---

Q. What principle would the Board go by, then? The principle of adequate compensation and so on, as it did in fixing its original rate?

A. Well, I presume that the---

Q. We are anxious to find out---

A. Yes, I understand, sir.

Q. The Board says, "We are a regulatory body."

A. I would think they would have to reconsider the original rate in that case. It may be so long since they put the original rate on. In fact, I have tried to find out from some railwaymen if the Board ever actually made those maximum rates, and nobody can tell me. I have spoken to many railroad men. I said, "Did any Board of Railway Commissioners ever actually set those maximum rates?" and I cannot find anybody who can give me any evidence of the year or the time or the date when the original maximum rates were set, away back into the dim past. All they say is, "Well, when the C.P.R. started they based their rates on the American rates across the boundary line." "And who started the American rates? Why were they fair originally there?" Then they say as far as eastern Canada is concerned they took the American eastern railroad rates.

Q. Would you say this, then, that the original rate, wherever it came from or whenever it began, has been so long in disuse that it is obsolete?

A. Yes, there is a good argument there, that you have got to make a rehash, sort of a new idea come along, and it means a lot of cross-currents and adjustments taking place.

Q. How long was this special rate in force here?

A. Farm machinery? That was in force since 1919, sir,

thirty years -- one of the longest.

MR COVERT: Q. Thirty years?

A. Thirty years that one was in force.

Q. Then on this inquiry you think perhaps, doctor, they should inquire into the compensatory nature of the rate?

A. That should be certainly one of the things to be considered.

Q. And would you think that perhaps they should fix a time limit? Perhaps they should go into the question as to whether the industry had become so accustomed to that that it should be in for a certain definite time limit, continue it even if it is a loss rate, and perhaps then everybody should be notified that at the end of a certain time that was going to cease and they would be put to a rate that perhaps would be compensatory. Do you think considerations of that kind should---

A. That is, give them a long enough warning that it is going to be changed?

Q. Yes.

A. Well, that would be more satisfactory than the present method, I admit that, more satisfactory, but I don't know that that would take the place of what we have in mind. We feel that we would like to put our case before a Board.

Q. Then you are really suggesting that you would just like to put your case there, that the Board should have broad powers, and they should be able to do what I suppose they considered just and equitable; would that be it?

A. I think so, yes.

Q. Thank you, doctor. I think there may be other questions.

THE CHAIRMAN: Any questions?

CROSS-EXAMINED BY MR FRAWLEY:

Q. Dr. Hope, you did not give us your qualifications, and perhaps this might be a good time, if you would put your qualifications on the record for the information of the Commission?

A. Do you want me to give a history of myself or something?

Q. Well, doctor, Mr. Covert did not ask you, and I just thought I would take it upon myself to ask you to put into the record just what your qualifications, academic and otherwise, are for the work that you are now doing?

A. Well, I am presently employed, in fact for the last year, as economist for the Canadian Federation of Agriculture. Prior to that, for five years before that, I was Agricultural Economist for the National Progressive-Conservative Party.

THE CHAIRMAN: Q. For the what?

A. National Headquarters, Progressive-Conservative Party, Ottawa. That was for five years. Prior to that for fifteen years on the staff of the Department of Farm Management of the University of Saskatchewan. I am a graduate of the University of British Columbia and Cornell. I farm as well as being an economist now; I am a farmer, twenty miles from Ottawa.

MR FRAWLEY: Q. You have a degree of Doctor of Philosophy from Cornell?

A. Cornell, yes.

Q. Dr. Hope, in the earlier part of your examination this morning you used the expression "real wages", and I wondered if perhaps you should not distinguish, if there is a distinction, between what you say are real wages and what the ordinary man on the street refers to as wages?

A. Well, the difference between cash wage and real

wage -- real wages are the goods and services that your work will buy, in terms of physical goods and services that your daily work will buy, rather than just the dollar, cash.

Q. Now, Dr. Hope, I only want to discuss with you very briefly one point, and that is, what you said to my friend Mr. Covert when he made the suggestion to you that in the case of the Crows Nest Pass grain rates, the rest of the traffic must be bearing the burden; now, that may not have been my friend's words, but you recall that he put something like that to you, and you said something to him in reply about competitive rates, that the same thing applied to competitive rates. Now, I want to discuss that with you for a moment. You are aware that the railways have filed tariffs of normal rates for the carriage of commodities; right?

A. Yes.

Q. And you are also aware that, due to circumstances which are sometimes forced upon them, they are required to establish lower rates which are called competitive rates?

A. Yes.

Q. Either truck-compelled rates or water-compelled rates. Now, to the extent that these compelled competitive rates are below normal rates, when those normal rates are charged in other parts of the country, is it not fair to say that those normal rates charged in the other parts of the country are carrying the burden imposed upon the railway for having to accept less than the normal rates in areas where the competition is keen?

A. Yes.

Q. And that is the view that you were expressing to Mr. Covert this morning, I took it?

A. M'hm.

Q. If we find as a fact by looking into the tariffs

that the rate to carry fruit from the Okanagan Valley to Calgary is \$1.04, and the rate to carry fruit from the Niagara Peninsula to Montreal, which happens to be a similar distance, is or was -- I am not speaking in terms of the recent increases -- was 45 cents, when the rate from Vernon to Calgary was \$1.04, carrying the same kind of commodity the same distance in the same kind of cars, would you say that there was more than a possibility that the rate from Vernon to Calgary was carrying the rate from Hamilton to Montreal?

A. More than a possibility? Yes, I would say there was a good possibility that it was carrying.

Q. And so you say, pointing out those matters, that there is no real distinction between the fact that the Crows Nest Pass is something lower than the rate which it might otherwise be, according to the filed tariffs of the railway?

A. Yes.

(Page 7670 follows)

Q. Are you aware too that sometimes when the railways are authorized to increase freight rates, say, 21%, that they have found it difficult and indeed impossible to increase those competitive rates of which I have been speaking, the full 21%?

A. Will you repeat that question?

Q. Do you know that when the railways have been authorized to increase their rates 21%, we will say, that they have found it difficult and even impossible to increase the competitive rates which they are authorized to increase 21% for which authority was given?

A. I can quite imagine that that would be the case, yes.

Q. Now my friend has asked me for an instance, and I have an instance for him. Do you recall that during the 21% Case we were told that the railways found it impossible to increase the agreed charges in Quebec on petroleum products?

THE CHAIRMAN: Impossible by reason of competition?

MR. FRAWLEY: By reason of competition we were told, my lord, that they could not increase the rates for carrying petroleum products under agreed authorities in Quebec, and I think, my lord, that they could not increase them at all. There was no question of increasing them 21%, 15% or anything like that; they could not be changed at all?

MR. EVANS: My point in interrupting my friend was that his inference to a witness who is favourably inclined was that it had been impossible to increase those rates 21%.

MR. FRAWLEY: I had no intention of giving any such inference.

THE CHAIRMAN: I think Mr. Frawley was asked to give an instance by Mr. O'Donnell.

MR. EVANS: I asked him to give an example because of his inference that in phrasing a question to a favourable witness, he inferred that it was impossible to increase competitive rates by 21% which is not true.

MR. FRAWLEY: I know I have a lot to learn about the freight rate structure, my lord. I have been living with it for some months -

THE CHAIRMAN: Haven't we all, Mr. Frawley?

MR. FRAWLEY: I did not say that. I know under the present freight rate structure they are able to go out and increase some competitive rates.

MR. EVANS: Most of them.

MR. FRAWLEY: Even most of them.

THE CHAIRMAN: You were asked to give an instance of their inability to increase competitive rates on account of the competition and Mr. Evans asked you to give an instance. You gave an instance where you say the railways themselves said that they could not increase this particular rate.

MR. FRAWLEY: That is quite right, sir.

THE CHAIRMAN: If it is a fact that the railways did do that, there is the instance.

MR. FRAWLEY: That is all I was endeavouring to do. I would not say anymore. It would become just argument.

THE CHAIRMAN: Are you saying Mr. Frawley is mistaken?

MR. EVANS: No, I was complaining of the inference which I found in his question that it was impossible to increase competitive rates as a class of rates, and I just wanted to clear up the thing to show that while there are exceptions, there were increases in the body of competitive rates.

THE CHAIRMAN: Well, nobody says there were not any

increases.

MR. EVANS: Well, the inference I got -

THE CHAIRMAN: I suppose when the time comes you will be able to deal with that side of the question.

MR. FRAWLEY: As I know, my lord, I certainly know there are some instances where they have increased them, and there are other instances where they have not, and I was simply drawing a parallel between that instance and this much maligned Crow's Nest Pass rates. This freight assistance policy, Dr. Hope, I realize in something that Dr. Innis was putting to you, am I right or am I quite wrong, because I do not pretend to be an agriculturist, - is there anything at all inimical to the interests of the Western farmer in shipping feed grains to the Maritimes and to Ontario rather than finishing that stock and fattening it himself and selling it out there and having it processed out there?

A. No, I think it gives the Western farmer a good market for his coarse grain and I think history shows that the western farmer would just as soon sell the grain as feed the stock.

Q. Has there been a continuous movement of feeder stock to Eastern Canada?

A. Always has been.

Q. Because I am told the farmer in the East goes out to the Western provinces and buys carloads or trainloads of our feeder stocks, brings them down and puts them in Ontario farms and Nova Scotia farms, feeds them and fattens them and sells a much better animal. Now then, looking at it very superficially, because that is the only way I can look at it, you do not think there is anything inimical to Western Canada in that?

MR. FRAWLEY: Q. Suppose that the Dominion Government cancelled the feed freight assistance policy. I am not recommending that it ought to, but I am asking you to elaborate it. If they cancelled this feed freight policy what would be the result, as you see it?

A. As I see it, there are two effects, the immediate and the long one. The immediate effect would be an increase in the price of feed in Eastern Canada and the Maritimes of about \$4.00 to \$5.00 a ton and I think as high as \$7.00 to \$8.00 a ton in Prince Edward Island on oats and barley, bran and shorts, in feed and feed wheat, which would immediately, of course, raise the cost of livestock produced in the East, and the production would drop off very drastically in a short time. Within twelve months to two years it would shrink very sharply throughout this Eastern region. That in time would eventually bring a higher price because for a while it would flood the market, and then it would be scarce, and the price would rise, but I think it would end up eventually with Eastern Canada having considerably less livestock over a period of time.

THE CHAIRMAN: Would Western Canada have more?

A. Well, they might have a little more. It is doubtful, because after all, the price of grain if it is set mostly by an international market, -- that would not influence their price of grain very much. The only thing is the domestic price would be a little higher. It might remain and not shift off but it would certainly cause a big shrinkage here, and it might cause a little increase here.

Q. By what you told us earlier today you think it would be uneconomic?

A. In the long run, yes.

The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The second part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The third part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The fourth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The fifth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The sixth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The seventh part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The eighth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The ninth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity. The tenth part of the paper is devoted to a discussion of the specific principles of the theory of the structure of the human brain. It is shown that the brain is a complex organ, the structure of which is determined by the environment and the heredity.

COMMISSIONER ANGUS: This is a case, is it, in which an increase in freight rates would be passed on to the consumer and not borne by the farmer?

A. The subsidy method for eastern feed, you mean?

Q. Yes.

A. Well, in that case, sir, the increased freight rate would be paid by the taxpayers through the subsidy to the railways once a year, or if it is where the freight rate would be low--and in the long run the consumer, of course, gets that produce cheaper because he is producing cheaper over a period of time--then presumably the domestic price for these animal products is a little lower for that reason.

Q. What I mean is, if the net freight rate that the producer pays at present were increased by taking off the subsidy, I think you told us that the price to the purchaser of the feed grain would go up?

A. Yes.

Q. And I am asking if that is an instance in which the burden of the freight rate could be said to fall on the purchaser and not on the producer?

A. Yes, that is the case because there is a case of the purchaser as a farmer and the price of his grain would go up.

MR. FRAWLEY: But as a farmer in Ontario and the Maritimes, what you are saying to Professor Angus is that if the subsidy were removed entirely, the Ontario and Maritimes receiver of the feed grain would have to pay the freight on the feed grain?

A. Yes, immediately.

Q. And you think without the assistance he would not just be able to buy the quantities that he is now buying?

A. It would cut his purchases a great deal.

THE CHAIRMAN: That is what we call a "sellers market" isn't it?

MR. FRAWLEY: Would you say that is a seller's market? He is able to pass the freight rate on to the consuming farmer in the East?

A. Well yes, the Western farmer in that case might pass the freight on to the Eastern farmer. That is what it amounts to.

Q. And do you do not think it is quite as simple as saying it would increase the slaughtering in Western packing houses?

A. It might in time but certainly it would have no immediate effect on the Western plants at all.

Q. Do you think that the present state of unused capacity in Western packing plants is due to the fact that we ship so much of our feed out for the benefit of Ontario and Maritime consumers?

THE CHAIRMAN: You are assuming that there is a reduced capacity?

MR. FRAWLEY: Yes.

A. That is duemore likely to the same fact, that Western Canada has reduced its hog production a great deal from the wartime figure of 1944 very much down, and that in turn is due to the effect of a change in Government policy, because the Government policy during the war was to keep grain prices ^{low} and hog prices high, and that policy worked in a tremendous expansion of hog production in Canada when they fed millions of bushels of wheat. Now then they had virtually a world price for wheat or close to it, and a contract price for hogs to Britain, which makes hogs not as profitable as growing grain, so they have stopped raising wheat

for feed and the slaughter houses are empty.

Q. Do you know of the development of feed lots in Southern Alberta?

A. A little bit about them.

Q. They are a good thing in the livestock industry?

A. Yes, good for some by-products from your beef plants.

Q. Well, there are feed lots in the vicinity of the sugar beet plants?

A. Yes.

Q. And that has contributed to the development of good livestock?

A. Yes.

Q. Not much doubt about that, I take it?

A. No.

Q. I was wondering if that sort of thing should not be increased and extended and whether this shipping the grain out has a tendency against that. I was only asking for general information. I have no views or no instructions about the matter.

A. Well, generally speaking, I think you will find that the big market for Western beef cattle is the United States which is a live cattle market, which is mostly a feeder animal, not finished in Canada particularly--so we ship 200,000 or 300,000 head from Western Canada across to Chicago, and they are finished there. Now they can produce actually a cheaper grain to finish cattle than we can.

Q. Again you would say it is too simple for me to suggest that we should feed them and when they come off the ranges in Alberta we should feed them and then send them down to Chicago?

A. No, I don't think so. There has not been in the

past; it is mainly a feeder cattle trade to the United States.

Q. You think we are relegated to the position of being purely a supplier of raw materials in livestock for a long time to come?

A. Well, if it is a profitable venture I see no harm in it.

Q. And you say at the moment that sending them down as feeders is more profitable than endeavouring to fatten them in Alberta and then send them across the line?

A. Yes, I think that history shows and that a review of the data will indicate that over a period of time there is more money in that than fattening them up with feed grain.

Q. You say the feeder lot idea is a good one?

A. A good one if you have a cheap by-product to feed. If you have cheap grain and by-products then it is all right and I think you will find that in Alberta a considerable amount of that feeding is done by feeding that type of feed - some of it, anyway.

Q. Thank you.

(Page 7680 follows)

CROSS-EXAMINED BY MR EVANS:

Q. Dr. Hope, I hope you will be able to hear me; my voice is a little poor to-day. In the first part of your brief you make some comparisons -- perhaps I should say, you deal, beginning at page 3, with the effect on the farmer of changes in freight rates, and I wanted just to have a few minutes with you about that. I suppose, whether or not we get into an argument as to whether the farmer in the end pays the freight rates, or whether we do not, the ability of the farmer to pay increases in freight rates must be measured, must it not, by the condition he finds himself in as regards the prices he gets for his products; would you not agree with that?

A. Yes.

Q. And would you not also agree that there has been a substantially greater increase in farm prices between 1939 and the present day than there has been in wholesale prices generally?

A. Correct.

Q. That increase in the price of farm products amounts to well over double what it was -- that is, the index -- in 1939?

A. Yes.

Q. And in the case of wholesale prices between 1939 and 1947 the increase was very substantially less?

A. M'hm.

Q. Perhaps I could give you the figures for the record. According to the Year Book of the Dominion Bureau of Statistics at page 390, the farm price index in 1939 was 91.8 and the index in 1947 was 203.7; that is on a basis of 1935 to 1939 equals 100.

A. Was that wholesale prices or farm prices?

Q. Those are farm prices.

A. That is not wholesale prices?

Q. No, that is farm prices. Now, the wholesale price index, which I had to have converted from the 1926-equals-100 basis -- and you can check me -- in 1939, using the base 1935 to 1939 equals 100, the wholesale price index was 97.8, so that in 1939 the index of wholesale prices was relatively higher than in the same year for farm products. Then in 1947 that wholesale index was 167.5, as compared with the farm price index, which had begun lower in 1939 but which had reached 203.7 in 1947. Now, in the face of that, would you not agree, Dr. Hope, that the position of the farmer as regards his ability to pay increased freight rates is at least very much better than it was prior to the war, in 1939 say?

A. Yes, I would say it is much better, but these figures you have quoted here, you could not use these comparative figures here for any kind of true picture of what the farmer could afford to pay on anything, for a number of reasons. In the first place, on the 1935 to 1939 basis of 100, which we do not recognize as being applicable to agriculture---

Q. Why do you not so recognize it?

A. Because you are using a period of depression, when agriculture was very much depressed. We naturally expect to get a higher rise in farm prices in that period. That is the first thing that is weak in the data. The second point of view is that you have nothing to compare the cost of things that farmers buy, which may not and does not correspond with the rise in wholesale prices. So all I am saying now is that I admit that the farmer obviously has a better income than he had in 1939 -- nobody can deny that -- but I think I would want a little better data to show the picture than using just 1935 to 1939 equals 100 in wholesale prices.

Q. Well, would you like the retail price index?

A. No, unless we have the figures in mind, I think it would not make any difference.

Q. What figure would you want to use?

A. I would say that you ought to use the wholesale prices of farm products or the farm price of farm products, which is a different index, and take a base period before the depression. We like to use the period 1925 to 1929.

Q. What I want to do with you, Dr. Hope, is to show the condition as it was in 1939 and compare it with that condition to-day. Now, I suggest to you, as long as we make the comparison between/^{the} same years, there is some significance to be found in the fact---

A. Well, as I said before, the farmers are better off than in 1939, no doubt about that; they are better able to pay, sure.

Q. Well, that is all I was putting to you.

A. That is all right.

Q. Now, as compared with the increase which the farmer got for his products, I suggest to you that he is very much better off than the railways as regards the increase in price they have had in the same period for their services?

A. Well, now, let us say that we admit that, but here is the point: It is all very well picking on any one year for a point of comparison, which the railways are doing now, or you are suggesting to me. You are picking on one year now and comparing the farmer's position with the railway's now. It would depend on what year you picked on, but we know that farm prices will fluctuate from year to year, they may go up, and you do not expect freight rates to follow farm prices or the farmer's purchasing power, it is true, and the situation in any one year might be entirely

different from say a five-year average or a ten-year average.

Q. Without attempting to argue with you, I think I would be inclined to concede that, but I want to make this point with you: If you compare the railway's condition on the one hand in 1939 with the farmer's position on the other hand for the same year, and you show the changes since that time, all I am asking you is whether it does not show that relative to other prices and also to railway prices for their services, the farmer has done better since 1939 than other industries generally or the railways in particular?

A. Done better than other industries in general?

Q. Yes.

THE CHAIRMAN: Since 1939 in all cases?

MR EVANS: Yes, sir.

THE CHAIRMAN: Well, what year did you use as the basic year for manufactured commodities?

MR EVANS: I have been using the base year which I found in the Annual Year Book for farm products, 1935 to 1939.

THE CHAIRMAN: And the other for the manufactured products?

MR EVANS: Yes, the same base year.

THE CHAIRMAN: I thought you gave a different base.

MR EVANS: I started out with the 1926 index, which I had converted to the same index that was used for farm products, to get them strictly comparable. My submission is, sir, that it does not make any difference what base period we use as an index, if you want to make a comparison between given years, but this was a little more convenient, I thought.

THE WITNESS: Pardon me, sir---

THE CHAIRMAN: Q. Do you question---

A. Yes, I question very much that last statement, where this gentleman said that agriculture since 1939 had done

better than other industries or better than any of them. Now, that statement might be correct to the extent of a percentage change from 1939 to 1947.

MR EVANS: Q. That is it.

A. All right, but that is a very small part of the picture. In fact, it is a very erroneous statement to make, very erroneous, for the simple reason---

THE CHAIRMAN: Q. How would you complete the comparison?

A. I would go back to a period when we would more or less agree that the economy was in balance, and measure from that period. Now, agriculture, of all industry---

Q. When were they in balance? 1926?

A. 1926, 1927, 1928, 1929 -- in that period, because the 1929 period, of all industries in Canada agriculture was the last to come out of the depression, and it was still virtually a depression year, so how can you possibly compare agriculture with other industries in 1947 and measure from 1939? Now, it is true that we may have had a steeper climb, but we were starting from a very depressed level, and the comparison is not fair. That is all I mean.

MR EVANS: Q. You are not suggesting that the Canadian Pacific was not depressed in 1939, are you?

A. Not as much as the farmers were.

Q. I suggest to you that the rate of climb out of the depression is evidence of at least present ability to bear increases in rates, if you measure the same ability of the farmer in 1939 to pay the freight rates in 1939?

A. I am sorry, I did not quite get that.

Q. Well, if a farmer had a given ability in 1939 to pay freight rates at a given level in that year, his steeper climb out of this depression than the rise in freight rates in the same period would produce a relatively

greater ability in the later years to bear the burden of freight rates?

A. Yes, assuming that he had a good ability in 1939.

Q. I did not ask you to go any farther than that his ability to-day is better than it was in 1939?

A. Oh, yes, I have conceded that that is true, but I did not like the inference that agriculture---

THE CHAIRMAN: Well, we will come back at a quarter to three.

---At 12:55 p.m. the Commission adjourned, to meet again at 2:45 p.m.

(Page 7690 follows)

Tuesday, November 8th 1949.

AFTERNOON SESSION

DR. E. C. HOPE RECALLED

CROSS EXAMINATION CONTINUED BY MR. EVANS.

Q. I think at the adjournment I had just been talking about the ability of the farmer to bear increases in rates. Now there is one other question on that branch I would like to ask you. Mr. Covert in his examination of you got an answer from you which I took down as best I could, and I want you to correct me if I am wrong, and you said you thought it was difficult to show that farmers prices go up with increases in freight rates, and that that position was sharply distinguishable from the case of manufactured goods. Have I correctly taken you down on that?

A. Yes, because the manufactured goods, it is very evident to a farmer immediately that the freight rates are increased in the goods he buys. It is very evident to him.

Q. I was about to suggest to you that the fact that the manufactured goods or wholesale price index had not increased as much since 1939, would indicate, would it not, that the other factors affecting price are far more important than freight rates?

A. Demand over the past five years has been the most important factor within trade in putting up prices - inflation you might almost call it.

Q. I suggest to you that the fact that the whole-sale price index has not risen as rapidly as the index of farm prices, would indicate that despite the fact, as you say, wholesale prices or manufactured goods

reacted more to freight rate increases, perhaps indicates that the effect of freight rate increases must be a relatively minor factor in the increases in price which have taken place since 1939?

A. I do not think you can simplify it quite as much as that because it is true, we know, that the freight charge in the retail price of your product is not a very large percentage, and, therefore, it would be very difficult to say in just looking at changes in index numbers, over a period of time, whether demand is such that you see any inflation in general, to try and work out the incidence of changes in freight rates on price. I do not think that looking at index numbers is a very effective way of doing it. It would be very difficult to show.

Q. Perhaps we misunderstand each other. What I am saying is that if as you say (and I am not accepting or rejecting your view) wholesale prices or prices of manufactured goods are generally increased the reflected increase is shown in manufactured products to a greater extent than in farm products. Now assuming for a moment that that is true, the fact remains does it not, that despite the freight rate increases which you say are reflected more quickly in the wholesale price index, that index has not increased as rapidly or as much since 1939 as the index of farm prices?

A. That is true, yes.

Q. Now then, if I may I will pass to the second branch of your brief.

A. Pardon me for a moment. I think at this time I would like to ask the Chairman if I could file some evidence here of our brief to the Board of Transport Commissioners on the increase in freight rates in the 21%

Case. The reason why I am asking them to file that is that in there is a very significant chart, which we would like the Commission to review, showing the stability in freight rates over the years, in comparison with the violent fluctuations in the price of farm products, and it is very striking ^{to see} the gap between the freight rate structure in 1939 and the price of farm products. This is an official index which was computed by the Dominion Bureau of Statistics which they ceased to keep in 1938, as a matter of fact. No doubt the Commission is familiar with that index.

Q. Is it filed with the Board of Transport Commissioners?

A. Probably is.

MR. COVERT: That will be Exhibit 107, "Presentation of the Canadian Federation of Agriculture to the Board of Board of Transport Commissioners dated Ottawa, July, 1947"

- - - - -

EXHIBIT 107 - filed by Dr. Hope - Presentation of the Canadian Federation of Agriculture to the Board of Transport Commissioners dated Ottawa, July, 1947.

MR. EVANS: Perhaps you would be good enough to give me a copy?

A. Yes.

Q. That was presumably presented to the Board after the resumption of hearings at the conclusion of the summer of 1947. Mr. Hannam was the witness on that occasion?

A. Yes.

MR. O'DONNELL: Have you any copies of that?

A. Well there were five copies here. There were five copies available this morning. Another Exhibit is Table 2 taken from our brief to the Royal Commission on Prices last

winter, in December. Table 2 we have not got enough copies of; unfortunately they are out of print but the Table 2 can be typewritten and filed for reference with the Board. I would like to file this because it deals specifically with the agriculture rises from 1939 to 1947. In this table we have converted the price of farm products to what we considered a more suitable basis for the purpose of comparison, and that is the 1925 to 1925 ~~1929~~=100. We call it 100 before the depression and in 1939 this index shows the wholesale price of farm products to be 66 - just 66, which was only 4 points above the average of the entire depression from 1931 to 1938, so that the comparison of agriculture from 1939 on all industries is the most depressed, and very little above the low of the 7 or 8 years previous to that. And that was a comparison which we did not have to make from 1939 to 1947 which showed a considerable rise, to rise from extremely depressed conditions. At the level of 1939, as far as the paying of freight rates was concerned, a farmer could not afford to pay any freight rate, could not afford to pay taxes or anything, because he was running his entire economy into a deficit. It is true the railways at that time were having a little trouble but I notice that the Canadian Pacific Railway that year paid 2 1/2% on their investment in railway property, but the farmers must have made about minus 4%.

MR. COVERT: Mr. Chairman, with respect to that, I suggest since there are not sufficient copies to file as exhibits, and I understand there is some difficulty about obtaining additional copies, that that table be at this point typed right into the record.

THE CHAIRMAN: That is the table that Mr. Evans had?

MR. COVERT: This table I will just give right to the reporter rather than have it made an exhibit.



TABLE 2 - Changes in the Wholesale Prices for Farm Products; the Cost of Things That Farmers Buy; and the Parity Ratios, 1914-1948.

1925-29 = 100)

| <u>Year</u> | <u>Index of Prices of Farm Products</u> | <u>Index of Prices paid by Farmers ^x</u> | <u>Parity ratio</u> |
|-------------|---|---|---------------------|
| 1914 | 71 | 67 | 106 |
| 1915 | 80 | 71 | 112 |
| 1916 | 92 | 78 | 118 |
| 1917 | 133 | 102 | 130 |
| 1918 | 136 | 117 | 116 |
| 1919 | 149 | 125 | 119 |
| 1920 | 164 | 143 | 115 |
| 1921 | 105 | 117 | 90 |
| 1922 | 89 | 104 | 85 |
| 1923 | 82 | 103 | 79 |
| 1924 | 92 | 102 | 90 |
| 1925 | 103 | 102 | 101 |
| 1926 | 102 | 101 | 101 |
| 1927 | 98 | 101 | 97 |
| 1928 | 97 | 99 | 98 |
| 1929 | 100 | 98 | 102 |
| 1930 | 85 | 92 | 92 |
| 1931 | 56 | 81 | 69 |
| 1932 | 46 | 75 | 62 |
| 1933 | 49 | 73 | 67 |
| 1934 | 59 | 76 | 78 |
| 1935 | 63 | 76 | 83 |
| 1936 | 69 | 78 | 89 |
| 1937 | 83 | 83 | 100 |
| 1938 | 73 | 81 | 90 |
| 1939 | 66 | 79 | 83 |
| 1940 | 68 | 85 | 80 |
| 1941 | 76 | 91 | 83 |

(Table continued from previous page)

| <u>Year</u> | <u>Index of Prices of Farm Products</u> | <u>Index of Prices Paid by Farmers^x</u> | <u>Parity Ratio.</u> |
|--------------------|---|--|--------------------------|
| 1942 | 90 | 100 | 90 |
| 1943 | 103 | 107 | 96 |
| 1944 | 110 | 109 | 101 |
| 1945 | 116 | 111 | 104 |
| 1946 | 121 | 115 | 106 |
| 1947 | 130 | 124 | 105 |
| 1948 ^{xx} | 158 | 145 | 109 |

^xIncludes goods, services, taxes, interest and wages.

^{xx}First nine months."

MR. EVANS: Now then, at the conclusion of Part 11 of your brief you asked for an amend to the R ilway Act to provide that the Board when considering general freight rate increases, must take into consideration the extent of co-operative ventures, co-operatives measures undertaken by the railways, and you gave Mr. overt some answers on that but I would like to just ask you one or two questions. Have you considered this kind of case, Dr. Hope? If the investigating tribunal which you suggest in your recommendation No. 1, should find, for example, that the Canadian Pacific were deficient or delinquent in carrying out their duty, and if you go on to say that the Board should take into account that delinquency in fixing the level of freight rates, have you considered the effect of penalizing the other railway, the Canadian National, in the level of its rates, because of the failure of the Canadian Pacific to carry out its duties?

(Page 7700 follows)

A. Well, we are referring specifically there to co-operative ventures of the two railways.

Q. Well, so am I.

A. In other words, you would imply there that the C.N.R. was willing to do it and the C.P.R. was not willing to do it.

Q. Yes.

A. Is that the case?

Q. Yes. Would you penalize all railways in Canada because of the failure of the Canadian Pacific to co- perate?

A. Well, it is true, we have not considered a case like that, but in the present Act it calls for a specific tribunal to decide a dispute like that, and, if I am correct, is it not that that tribunal has the power to enforce its decisions? Is that correct? I think so.

Q. I am afraid it is your suggestion; I could not tell you.

A. Well, it is in the Act; that tribunal has the power to enforce its decision in that case.

Q. I see; you mean the existing tribunal?

A. Yes, the existing tribunal does; and if that is the case, if that was a good feature at that time, if one railway refuses, I do not see why they could not have the same thing.

Q. I am just suggesting to you that perhaps you should divorce the freight rate cases from the penalty for failure to carry out the co-operative measure. You had not done that in your thinking at all?

A. No, we had not.

Q. But do you not agree with me that you might, by a process of requiring that in each general rate case consideration be given to that, be penalizing the wrong people? Might you not?

A. Yes, you might. We had not considered that point.

Q. Now, here is one thing I would like to put to you. I do not know how far you have studied this matter of co-operation -- I do not want to take you through the details of it -- but you mentioned two stations in Saskatoon, and the suggestion was that it should have been a comparatively easy matter to close up one of them, and I think you said that the Canadian Pacific was not a very busy station and that probably the Canadian National would be the proper station. Now, I do not want to get into the detail of that, but in offering that suggestion to the Commission had you considered the probability that a very large rearrangement of trackage would be required, involving considerable expense, to produce the union station?

A. Yes, I did. Of course, it is true that I think I said there that I was not a technical person; that is, it is a question of a technical decision on that. Nearly all of these, at least a good number of them, automatically require re-switching and new trackage and so forth; there is some cost element in it, that is very true.

Q. And does not that have to be weighed in balance with the economy?

A. Very definitely.

Q. So that if you had a small station with perhaps one or two employees in the station and a relatively small investment in the station, if you had to make a substantial investment for new tracks and the maintenance of those tracks, you might come to the conclusion that there was not any economy involved, although prima facie you would think there was?

A. Yes. I am not here pointing out what things should be done, because that requires study, and we are asking a tribunal or a permanent board or commission, research organization, to look into that itself independently of the

railways, who have a special interest in it.

Q. I just wanted to test it.

A. Oh, I am not dogmatic about that.

Q. Now, just one more point on that. You made a suggestion -- I am sure you could not have meant it quite the way I took it down, but in answering Mr. Covert you rather suggested that the railways have apparently mutually agreed to do nothing; have you anything more than your own just offhand opinion about that?

A. Well, in fact when they get together on a certain project and decide not to do it, they must have mutually agreed to do nothing.

Q. At all events, all you are saying is that from where you sit it looks as though they might have agreed to do nothing?

A. It looks to me that they did agree to do nothing, because they did investigate a lot of things and decided, well, they couldn't do much about it, and, reading through C.P.R. reports -- I am sorry I cannot lay my finger on that -- I did read them all, and I got the impression that there was not a great deal of effort made to put into operation co-operative ventures -- almost as though they sort of threw up their hands, "It is tough, and we will let it go." Now, honestly, that is the impression I got as a layman reading the C.P.R. reports.

Q. And from that you inferred, not that there was the difficulty, but that there was no difficulty, and that there had been an agreement to do nothing?

A. Well, there must have been an agreement to do nothing, because if they sit down and decide that nothing can be done, they have agreed to do nothing, sure; they say it can't be done, do nothing about it.

Q. Then you do not infer that their sitting down and

agreeing to do nothing, as you suggest, was the result of merely doing nothing, but as a result probably of finding that there was not economy in a lot of these things?

A. Yes, and even a little further. The impression a person gets is that not a great deal of conscious effort was made. I know each railway has to look at its future and how it will be affected over a period of time; they are really competitive, I know that is a difficulty, and because of those difficulties they probably decided not to go very far. Now, it is just my opinion, of course, that is all.

Q. I just wanted to know---

A. It is not factual, it is true; I was not sitting in on the meetings.

Q. Now let me go this one further step with you. Have you ever considered how one railway would compensate the other, where there was a line abandonment, for traffic potentialities of the line abandoned? Have you ever considered that?

A. How one railway would compensate the other for a line abandonment?

Q. Yes, for traffic potentialities; supposing one railway has to decide to abandon its line in a territory that one railway may feel has considerable traffic potentialities, and the other railway may not consider it has much in the way of traffic potentialities; how would you work out the means which would compensate the abandoning railway for its loss of traffic?

A. You might have to work it out on what we call a saw-off -- if in one district one concedes something, the other one will agree to concede something else of equal value. I am not enough of a railwayman to know exactly how far you could go in making the saw-off, but we do make saw-offs in lots of other things.

Q. At all events, you have not given any thought to that?

A. Not detailed thought, no.

Q. Now if I may pass to . . . another branch of the case, another branch of your brief, in Part IIB there is a table on page 8, and I only pause to note that, in 'arriving at the farm family income you have first taken from the net farm income, I assume, an allowance of three per cent on the investment?

A. That is right.

Q. And I assume also that the fact that you did that, involves your having considered that equity as well as debt capital employed on the farm is entitled to a return?

A. Yes.

Q. That is right. Now, when you come to discuss in Part IV the capitalization of the Canadian National, is it your view that when the debt capital is reduced and transferred to equity capital, the equity capital of the Canadian National should be allowed to earn a return?

A. Not necessarily so. You might say, why? Well, I won't answer that question. I said, not necessarily so.

Q. Well, do you want to add to that?

A. Well, yes, because if you have a very heavy investment in an amalgamation of three originally bankrupt railways, and a lot of lines with rather light traffic, if you put your rates high enough to allow that railway to make a return on all its capital, then we consider the rate would be too high.

Q. But as a matter of principle, assuming that you could take out of the Canadian National investment all those things that perhaps you might consider to be in the category you speak of -- whatever happened to the fixed charges of the Canadian National, that is a subject that I

am not concerned with -- would you not agree that the equity capital in the Canadian National should be allowed to earn a return? I am not discussing with you what the equity capital should be, but what is found to be the equity capital of the Canadian National should be allowed to earn a return?

A. Well, yes, I do not see why it should not be allowed to earn some return, but it is a question of -- I was really thinking in terms of the return on the entire investment value or property value in the railway at that time.

Q. I am assuming that we have got past the stage where you have readjusted the capital structure, you have reduced the debt capital, and you have transferred the amount of the reduction in the debt capital to the equity capital branch. Now, I am merely suggesting to you that it would be proper -- and I thought you had agreed -- for the Canadian National to be allowed to earn a reasonable return on equity capital as well as debt capital?

A. Well, that would depend upon the proportions, because if you had a reasonable return on equity capital and a reasonable return on debt capital, that might be an excessive total earnings, or it might result in a rate structure too high.

Q. Then I gather that you do not measure the rate structure at all by the necessities of making a return on the railway investment, but by some other process which involves giving secondary consideration to the investment in railway property?

A. No; I think that the measuring rod or bench mark should probably still be with the C.P.R. Now, if you want to say that the C.P.R. should earn a reasonable return on its investment, all right. Then the C.N.R., based on that, likely would be able to earn the interest on its fixed

charges, and it might sometimes get something on equity capital. That is what we had in mind, as a matter of fact, in this.

Q. Perhaps you will agree with me this way, that if you reduced the fixed charges of the Canadian National to a sufficiently low level without permitting it to earn a return on its equity capital, you might force the Canadian Pacific out of business, might you not?

A. Well, I understand that the C.P.R. has raised that point, and I see their point, very true, too, and we would not be in favour of that, I believe, putting rates to such a point that it would drive the C.P.R. out of business.

Q. Now, talking about the Canadian Pacific, you made a reply to Mr. Covert that I thought perhaps I should ask you a question or two about. You rather suggested that the ten per cent paid by the Canadian Pacific on its stock was of the nature of a gold mine profit; I would like to pursue that with you for a moment. I suppose you would agree with me to this extent, that if the amount of the stock were not the equivalent of the equity capital, or was rather less than the equity capital investment, that would have a bearing on whether the matter of ten per cent or seven per cent was proper?

A. In other words, you might say the equity investment had gone up, the share capital par had remained the same.

Q. Yes.

A. And so therefore it would look all right. The ten per cent -- no, the only thing is this, that you might say, well, why did the investment or equity stock go up? It has gone up because after paying ten per cent on the par value they must have been able to reserve enough to keep plowing back, so the equity capital kept on increasing.

In other words, the real return was far greater than ten per cent; it must have been, or else the figures would not show that.

(Page 7710 follows)

Q. Well I suggest to you that the rate of return of the Canadian Pacific investment has never been as high as 10%?

A. Well, that is interesting too because at noon I took my machine and ran over your brief and I think the average rate of return on common stock has been 5.4 for sixty years.

Q. I am trying to make a distinction with you now between the amount of common stock and the amount of investment on railway property?

A. Then there is the average return on railway property - it runs about 4%, I believe,

Q. It does not run that, no. Your brief shows it to have run as high as 3%.

A. It should be about 3 1/2% I think.

Q. All I am saying to you is really all you have to do to test the propriety of the dividends is to test it in relation to the amount of property and not on the stock. Isn't that fair?

A. It is fair in a way and yet if you keep on increasing the value of investments to a much greater extent than the new share capital brought in from the public, then you are really getting two returns on your investment. You are getting the percentage return that shows on your books and over a period of years capital depreciation which I suspect in the case of the C.P.R. might have been considerable.

Q. What I am suggesting to you is this, that if you had \$100 of share capital and instead of paying in dividends you invested all your net earnings in the property and you came out with \$200 investment and \$100 worth of stock, would you not measure the proportion on the dividend paid on the stock by reference to that \$200 of investment?

A. If you did not pay your dividends, you say, and put them back in and increased your investment to \$200?

Q. Yes, what difference does it make if they pay it out in dividends and then buy some more stock? Isn't it the same thing? It seems to me a mathematical truism?

A. May I ask you this question to straighten my mind out? The C.P.R. investment today which is very large, is that mainly based or all based on this sale of stock to the public plus what they borrow?

Q. Oh no, the investment is much higher.

A. It has come from the reinvestment of earnings?

Q. Yes.

A. That is what I am trying to get at.

Q. Yes, and premiums on the securities sold?

A. In other words, the 3% per annum earnings on the property value of the stock is really only a part of the earnings originally, because in addition to that it had a capital depreciation?

Q. Yes.

A. I don't know what that would be; no doubt it would be very large.

Q. There is only one question I would like to ask you about that. I understood you to say you had some experience in enterprise, and I was wondering whether you did not also agree that the question as to the propriety of the amount of dividends paid might well involve looking at the market for money and the ability of the enterprise to sell its securities in the market?

A. Yes, that is true.

Q. So if I suggest to you it is not quite proper to condemn a rate of dividend or to suggest a rate of dividend without bearing in mind the ability to attract the capital

that is required in the enterprise, you would agree with that, wouldn't you?

A. Yes. Of course what I meant before was over a long period of time the C.P.R. has been quite able to attract capital?

Q. You have no views as to its ability today?

A. You may have odd periods in history when you cannot attract capital. Farmers cannot attract capital two years out of three.

Q. Now then, I think I have got one more question. You made what to me, with respect, was a very surprising statement, which I wanted to ask you about. You suggested that you had, I think, made some preliminary investigations into the efficiency and use of materials

by the railways, and I was wondering if you looked at the exhibits in the 20% ^{case} which shows the amount of materials and labour expended in maintenance by the Canadian Pacific over a period of years. Did you examine those?

A. No, not in detail.

Q. Would you be surprised (and you can check me; I am not asking you to accept my word) would you be surprised to learn that the expenditure on both labour and materials had declined in relation to the volume of traffic over many years?

A. Expenditure of materials had declined in relationship to volume of traffic?

Q. Both labour and materials. Taking it to a real value basis that the physical volume of labour and materials has declined.

A. You said value a minute ago.

Q. Well, real value.

A. It would be equivalent to physical?

Q. Yes.

A. I fully expect that in fact if labour had not been able to handle more goods physically, then something was radically wrong with the rates of wages, so I presume that that is correct. It is a question of the rate of change. Supposing labour had been handling 1% more per annum of freight, that does not lessen the trend of wage rates, does it?

Q. Well, I am not attempting to justify it.

A. What I am getting at, it is a comparison of rates I am interested in. I presume the railway's labour particularly is definitely handling more freight per man hour than what they have been doing in the past. That is true but that does not prove that the rate of increase in efficiency warrants the present increase in wage rates over a period of time.

Q. I do not recall having put that to you but what I was putting to you Dr. Hope, is this. I put it down in my notes that you de lt with the number of ties laid per man hour and also the general term "use of materials in maintenance", and I was wondering since you were interested in that subject, whether you had not thought it desirable that you should look at the exhibits which were filed by the Canadian Pacific, which showed the physical volume of labour and materials employed in maintenance over a long period of years?

A. I am sorry that I did not do it. I was very pressed; if I had had some time nothing would have suited me better than to look into it. I did not have a chance.

Q. I just respectfully draw your attention to that. Now then on one more point. You made one statement that I thought was rather surprising too. I took it down this way, that the farmers might, with an increase of 5¢ a

bushel in the freight rate on grain, turn to livestock and butter. Was that correctly taken from your evidence this morning?

A. Yes.

Q. Now then, did I understand you to say that if they turned to livestock and butter they would have no market?

A. Well, put it this way, The market for animal products is more confined to the domestic market than grain. Take, for instance, wheat. The export market for wheat is probably better over a period of years than the export market for bacon or for fresh eggs or for some other products, and as far as Eastern Canada is concerned, if we were flooded with bacon, eggs, dairy products from the West, where could we sell it? We could not export it at a profit.

Q. I would not argue that with you; I was merely asking you and going on to ask you would you suggest that the farmer should turn to a market that had no profit and abandon a market that had a profit?

A. Likely the first reaction would be that. If he was going to get a low price for his grain, likely he would look for some other avenue and if things are unbalanced as they are today, or in disequilibrium he would switch into some other field.

Q. He would swing into something that had no market?

A. He would not know that. That is the way with farmers. They just see the price and go right after it. It is not a question of figuring out in his kitchen whether Canada can sell bacon to Britain; he just sees the present price of hogs and goes into it.

Q. Wouldn't you do that?

A. The Government likes to do that; we don't do that.

Q. There is one question here under the question of "Other Income". Let me put this to you. Your group thinks it proper that the Other Income earnings of the Canadian Pacific should be taken into account in fixing freight rates. Let us suppose that a farmer has a store or if he owns say some bonds. Would you say his farm income could be lowered by taking into account the earnings from his store or his bonds - accumulated savings?

A. I would not say that but I would say this, that if under any legislation if the Governemnt felt that the farmers had a lot of bonds or a lot of earnings from other outside sources, they would be much more likely to lower the price floors knowing he had some other source of income to let him get by.

MR. COVERT: Mr. Chairman, we are going to have to ask Dr. Hope to stand down for a bit until the next brief comes on, due to arrangements we made with a reporter to take it down in French.

(Page 7720 follows)

Transcript of evidence of witnesses who
presented their evidence in French will
be included in volume 41, Wednesday,
November 9th.

- - - - -

MR. COVERT: Mr. Chairman, you will recall that Dr. Hope was on the stand.

THE CHAIRMAN: Yes, and he is not through yet.

MR. COVERT: Mr. O'Donnell tells me that he will take only about three or four minutes, which would prevent Dr. Hope having to come back in the morning for three or four minutes' examination.

THE CHAIRMAN: Let us go on to 5 o'clock, then, how would that do?

MR. O'DONNELL: I have only three or four minutes, Mr. Chairman.

DR. E. C. HOPE, recalled:

CROSS-EXAMINED BY MR. O'DONNELL:

Q. Dr. Hope, you have a proposal that there should be a continuing tribunal to go into the matter of co-operation between the Canadian National and the Canadian Pacific.

Why isn't the present arrangement, whereby such matters are reported each year to Parliament, sufficient?

As I remember, you wanted the Crow's Nest Pass rates to remain within the control of Parliament, and you wished to report directly to Parliament.

Why would not the same arrangement be satisfactory, concerning co-operative matters which are taken care of through a report to Parliament each year?

Parliament has its railway committees available today. Why would you suggest a change?

A. The suggestion I had in mind was that it would be better. Let me put it this way. First of all, the past method has not been very effective. That is the first thing.

Q. Yes?

A. Therefore, some change is necessary. And we tried to find what we thought would be an improvement, namely, an independent body, making an investigation itself, and suggesting to the railways what to do, rather than the railways investigating it, and it being remembered that both railways, of course, have their interests to consider.

Q. Why are not the facilities that Parliament provides and particularly the use of the Railway Committee, which was the committee that considered that type of thing in 1938, and went into it in very full detail, why would not that suffice?

A. Railway committees would not be bodies of continuous research.

THE CHAIRMAN: I thought the Department of Transport had facilities for study and investigation.

MR. O'DONNELL: Yes. There are a number of government bodies that are available.

THE CHAIRMAN: Q. Had you thought of that?

A. No. We had not thought of that, sir, it is true.

Q. We have such a department.

A. If a body like that would take upon itself the task, with competent staff built up over a time -- and that is one of the first difficulties, getting a competent staff -- they would have to draw upon the railways themselves to get such a staff.

MR. O'DONNELL: Q. That is where the Department of Transport might come in. It is available for the use and advice of Parliament, and of the Railway Committee.

A. So far, no body, such as the Transport Board, has done anything about it.

THE CHAIRMAN: Q. Are you sure of that?

A. The Department of Transport.

MR. O'DONNELL: Q. There is a Department of Transport and there is a Board of Transport Commissioners.

A. Yes.

Q. The Department of Transport is the government body which has technical officers, and which is in the position to make the most detailed study. It is under the direct control of Parliament; and with the Act, as it stands at the present time, these railways must report each year to Parliament, when the Railway Committee can go into matters in the fullest detail.

A. It is the Canadian National which reports only to Parliament.

Q. Yes. But the matter of co-operation has to be reported there each year; and you know that that subject was considered by the Senate committee on railways in 1939.

A. Yes.

Q. And you know that they said, at that time:

"Your committee sees no reason why duplicate services and duplicate facilities could not be dealt with effectively by co-operation, and it is not considered advisable to modify the terms of the Canadian National-Canadian Pacific Act 1933, except as regards dismissal compensation for employees, until the possibilities of the present Act have been more thoroughly ascertained."

That was the recommendation at that time.

A. Yes.

Q. Don't you think that equally detailed studies could be made each year, if necessary, by Parliament?

A. Not by Parliament, no. You cannot ask Parliament to make the studies.

Q. Or by a committee of Parliament. It has the

Senate, or the Commons Railway Committees, it doesn't matter which.

A. If you had a continuing body, which was a division of the Transport Board or a division of the Board of Transport Commissioners, I do not suppose the farmers of Canada are particularly interested in who will do it. But as long as it is done, and done continuously -- because we feel that, so far, it has not worked.

Q. Yes.

A. Now then, that may not be the best way to do it.

Q. During the war, you know, the railways were busy doing other things.

A. That is more argument for an independent body to do it.

Q. If the matter could be turned over to the Department of Transport for such a continuing control and survey, would it be in keeping with what you have in mind?

THE CHAIRMAN: Are you quite sure the Department of Transport does not acknowledge a certain responsibility now?

MR. O'DONNELL: I think so.

THE CHAIRMAN: Q. You see, there is a responsible Minister of Transport in the House.

A. They may, but I don't think we have found any studies.

Q. You do not know if they are active. You do not necessarily wish another board to be created, so long as somebody, who is responsible and competent, does it?

A. That is right. It is quite probable that the Transport Ministry felt that the Canadian Pacific Act was sufficient and that everything was already running smoothly along.

Q. But the question is whether that Act has been

carried out. If we have to report what has been done under the Act, and what have been its results --

MR. O'DONNELL: Q. I wondered why, under the Grain Act, you were quite content that the matter should be left with Parliament, but in the case where co-operation had to be surveyed, you wanted some other body?

THE CHAIRMAN: I do not think there is comparison between those two things. Here the statute calls for it to be worked out; things being done, and reports being made; and Dr. Hope's desire is that some body take an active interest in seeing that that Act is carried out.

I am just suggesting that, since we have a ministry, the Department of Transport, with all that that implies, that perhaps that is where we should look to see if the Act is properly observed. They have a responsible Minister, responsible to the House of Commons.

MR. O'DONNELL: Q. This morning I think you said that your understanding was that Sir Henry Thornton had said that there would be a saving of \$50 million a year resulting from co-operative measures. Am I correct in that?

A. No. I think I said this: that in our brief we said estimates as high as \$56 million a year were made of the possible savings; and I remember Sir Henry Thornton said that the co-operative method would bring as great savings as could be brought about by joint management.

Q. I think all you have in mind is -- undoubtedly you read this Senate report, and the \$56 million figure which is mentioned there. But that was one of the figures for savings which, it was suggested, would result from unification of the two railways. But so far as co-operation is concerned, the report said:

" . . . your committee explored as thoroughly as possible the alternative of co-operation. It was contended by officials of the National Railways that all savings practical of attainment could be secured under a policy of enforced co-operation with respect to which it was held that savings of from \$10 million to \$15 million might be effected, even under present depressed condition of railway transport."

I thought you were confusing the two figures, the one suggesting possible savings resulting from unification, and the other, mentioning possible savings from co-operation.

A. No. I do not want to leave the impression that \$56 million was what Sir Henry Thornton thought. But there is one interesting statement there "enforced co-operation". It is not in the Act.

Q. You mentioned man hours for the laying of ties. You do not have any Canadian National figures concerning that?

A. Those figures were taken from the same railway report of all railways in Canada.

Q. But the Canadian National does not report or keep figures of that kind, not on the man hours for laying ties.

Thank you, Dr. Hope.

THE CHAIRMAN: All right, thank you.

---The witness retired.

---At 5 p.m. the Commission adjourned until 10.30 a.m.,
Wednesday, November 9, 1949.

A.R.

~~Series~~
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

NOV -9 1949

VOLUME

41

521181

23. 4. 51



Presented to
The Library
of the
University of Toronto
by

Professor H.A. Innis

ROYAL COMMISSION ON TRANSPORTATION

Index Page #58
Page

| | |
|--|------|
| <u>BRUCE NAPIER SIMPSON - Called. Examined by Mr. Hume - - - - -</u> | 7786 |
| <u>LEO M. REILLY - Called. Examined by Mr. Hume</u> | 7787 |
| Presented brief on behalf of the Canadian | |
| Electrical Manufacturers Association - - - - | 7787 |
| Statement by Mr. Covert - - - - - | 7798 |
| Cross examined by Mr. Frawley - - - - | 7802 |
| Cross examination by Mr. O'Donnell - - | 7814 |
| Cross examination by Mr. Brazier - - - - | 7814 |
| Statement by Senator Gray Turgeon - re brief | |
| of Boards of Trade of the Cariboo District - - | 7816 |
| <u>GEORGE M. MURRAY, M.P. Called. Presented brief</u> | |
| on behalf of the Boards of Trade and Chambers of | |
| Commerce of the Peace River Block - - - - - | 7820 |
| Statement by witness - - - - - | 7870 |
| Examination by Mr. Covert - - - - - | 7873 |
| <u>EXHIBIT No. 111:</u> Map of Peace River District, | |
| Scale 4 miles to the inch - | 7874 |
| <u>EXHIBIT No. 112:</u> Map of Electoral District of | |
| Cariboo - - - - - | 7874 |
| <u>EXHIBIT No. 113:</u> Map of Electoral District | |
| of Peace River - - - - - | 7874 |
| Statement by Mr. Covert re showing of film of | |
| Fort St. John District - - - - - | 7893 |
| Correction re typographical error in | |
| brief, page 19 - - - - - | 7908 |
| Noon adjournment - - - - - | 7908 |
| <u>DR. EUGENE FORSEY - Called. Examined by Mr. Covert - - - - -</u> | 7913 |
| Presented brief on behalf of the Canadian | |
| Congress of Labour - - - - - | 7913 |
| Further examination by Mr. Covert - - - | 7918 |
| Cross examination by Mr. Frawley - - - | 7952 |
| Cross examination by Mr. Hume - - - - | 7967 |
| Cross examined by Mr. O'Donnell - - - | 7984 |
| Cross examined by Mr. Sinclair - - - - | 7984 |
| <u>J. E. MCGUIRE - Called (Re Canadian Congress of</u> | |
| Labour). Examined by Mr. Covert - - - - - | 7986 |
| Adjournment - - - - - | 7996 |

- - - - -

Transcript of evidence of witnesses who presented
their evidence in French on Tuesday, November 8th
will be included in volume of Thursday, November 10th.

ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,

WEDNESDAY, NOVEMBER 9th,
1949.

| | |
|--|--------------|
| THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - | .CHAIRMAN |
| HAROLD ADAMS INNIS - | COMMISSIONER |
| HENRY FORBES ANGUS - | COMMISSIONER |

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary

- - - - -

COUNSEL APPEARING:

| | | |
|--------------------------|---|--|
| F. M. Covert, K.C. | } | Royal Commission on Transportation |
| G. C. Desmarais, K.C. | | |
| Hugh E. O'Donnell, K.C.) | } | Canadian National Railways |
| H. C. Friel, K.C. | | |
| F.C.S.Evans, K.C. | } | Canadian Pacific Railway |
| I. D. Sinclair | | |
| J. J. Frawley, K.C. |) | Province of Alberta |
| C. W. Brazier |) | Province of British Columbia |
| C. D. Shepard |) | Province of Manitoba |
| F. D. Smith, K.C. | } | Province of Nova Scotia; Transportation Commission of the Maritime Board of Trade. |
| | | |
| J. Paul Barry |) | Province of New Brunswick |
| R. Kerr, |) | Board of Transport Commissioners. |
| F. R. Hume | } | Canadian Automotive Transportation Association. |
| M. L. Rapoport | | |

- - - - -

ROYAL COMMISSION ON TRANSPORTATION

Ottawa, Ontario,

Wednesday, November 9, 1949

MORNING SESSION

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Mr. Chairman, the first submission is that of the Canadian Electrical Manufacturers Association. Mr. F. R. Hume is acting as counsel.

MR. HUME: I will call Mr. Simpson.

BRUCE NAPIER SIMPSON, called

EXAMINATION BY MR. HUME:

Q. You are Mr. B. N. Simpson?

A. Yes.

THE CHAIRMAN: Pardon me; what are the initials?

MR. HUME: B. N. Simpson.

Q. Mr. Simpson, you are the general manager of the Canadian Electrical Manufacturers Association?

A. That is correct.

Q. Would you be good enough to tell the Commission what the Association is, just some little word or two about it.

A. The Association consists of 123 member companies all engaged in the electrical manufacturing business, and represents about 90 per cent of the dollar output in that category in the dominion. According to the Dominion Bureau of Statistics last year the output of the industry was \$426 million, and is estimated at about \$475 million this year. The number of people directly employed in the industry last year was 53,000. As a basis for comparison, I might say that the automobile industry last

year employed less people, and its output was only about \$320 million, so it is considerably greater than that. I think that will probably give you some idea. It is listed as being the fifth industry in Canada.

Q. You have a brief for submission to the Commission?

A. Yes, we have.

Q. I understand Mr. L. M. Reilly, chairman of ^{Traffic} your/ Committee, is the one who will be ready to answer any questions on the brief. Is that correct?

A. I would suggest that Mr. Reilly might answer them. He is more familiar with the details of the brief than I am personally.

MR. HUME: Then I shall ask Mr. Reilly to take the stand.

- - - -

LEO M. REILLY, called

EXAMINATION BY MR. HUME:

Q. Mr. Reilly, you are chairman of the Traffic Committee of the Canadian Electrical Manufacturers Association; is that correct?

A. That is true.

MR. HUME: I was going to suggest that the submission be taken as read, but I understand some of the provincial counsel have not seen it, and I suppose in that case I should ask Mr. Reilly if he will read it.

MR. FRAWLEY: I would not like to impose that extra delay on the Commission.

THE CHAIRMAN: It is not a long brief.

MR. FRAWLEY: Very well.

THE WITNESS: The brief is dated at Toronto, October 7, 1949, and is addressed to the Assistant

Secretary of the Royal Commission.

Arising out of the correspondence we have had with you since we sent to your Commission a copy of our submission of August 8th to the Board of Transport Commissioners for Canada in respect to mixed carload shipments, we now desire to present the following brief in this connection, to the Royal Commission on Transportation for consideration.

Sections 1 and 2 of Rule 10 of Canadian Freight Classification No. 19 impose distinctly different conditions for qualification for application of carload rates on mixed carload shipments:

(a) moving between points to Eastern Canada.

I wonder if I might digress for a moment. The draftsmanship of the brief as presented is a little faulty. It appears from the brief as if there were four sets of conditions, and actually, of course, there are only two. It is movements between points in Eastern Canada on the one hand and movements between points in Western Canada, and moving from points in Eastern Canada to points in Western Canada and vice versa on the other.

The condition set out in Section 1 which governs movements between points in the east is merely that the carload rate applicable will be the carload rate provided for the highest classed or rated article included in the mixed carload shipment.

To qualify for application of a carload rate under Section 2 of this rule which governs all movements, except those between points in Eastern Canada, a mixed carload shipment may include only articles for which carload ratings are provided in the Freight Classification under one distinctive heading as: Chemicals, Drugs or Medicines; Dry Goods; Electrical Appliances and Supplies;

Groceries; Hardware, etc. Under such conditions the highest rate or rating provided for any of the articles included in the mixed carload shipment, applies.

A great many carload ratings are provided for articles which are not classified under any distinctive heading in the Freight Classification and in relation to the movement of mixed carload shipments between points in Eastern Canada this circumstance has no significance. There is, however, no provision for the inclusion in mixed carload shipments in movements governed by Section 2 of Rule 10, of articles which may be provided with carload ratings under the ordinary alphabetical progression in the Freight Classification and not under any distinctive heading.

The disparity as between the treatment extended to mixed carload shipments between points in the east on the one hand and from points in the east to points in the west and vice versa and between points in the west on the other hand was originally legalized as a measure of protection to western wholesalers against the possibility of retailers bypassing wholesalers and buying directly from eastern manufacturers for direct shipment to the retailer in mixed carloads. In other words, it was realized that some retailers could handle single shipments of sufficient mixed lines of merchandise to constitute a carload shipment but that the possibility of a retailer being able to handle a single carload shipment of any one line of merchandise was so remote as, under this Rule, to ensure to the wholesaler a virtual monopoly in the movement at carload rates from Eastern producing centres to his location of the particular kind of merchandise in which he dealt. At the time of inception of this rule the western wholesalers were successful

in establishing their claim that in consideration of conditions then existing in Western Canada such procedure was in the public interest.

Consequent upon the growth of the population of Western Canada the demand for certain lines of merchandise has in the interval developed to such proportions as to enable pool car operators to arrange regularly scheduled movements from points in the East to points in Western Canada and as a result of such development it is very difficult to understand why Section 2 of Rule 10 could be said to retain any element of protection to a western wholesaler who carries stocks of the lines of merchandise involved at the points to which the pool car operator furnishes service.

For instance, there is at least one departure a week and in some cases as many as three or four departures a week from Toronto of 5th class hardware pool cars destined to Winnipeg, Regina, Saskatoon, Edmonton, Calgary, Lethbridge and Vancouver. To the same points with the exception of Lethbridge, Alberta, there is comparable 4th class Grocery pool car service with a 5th class grocery pool car service to Winnipeg. To all the western points named except Lethbridge there is a regularly scheduled pool car service from Toronto on Electrical Appliances and Supplies classified 4th and lower. 4th and 5th class paper cars for Winnipeg, Calgary and Edmonton are regularly scheduled from Toronto. There is a 3rd class drug pool car service to Winnipeg, Calgary and Vancouver. In addition there is service to Winnipeg, Calgary, Edmonton and Vancouver for boots and shoes and to the principal distributing centres in Western Canada on furniture classifying at 4th and lower. There is also an irregular service on radio receiving sets.

It will be seen that any advantage accruing to a wholesaler, doing business in any of the lines mentioned at the points served, by virtue of Section 2 of Rule 10 would be represented in the very nominal service charge of the Pool Car Company and then only when the wholesaler ordered not less than a carload quantity for shipment to one location. In view of the improvement in rail time schedules, the development of highway transportation, and the consequent improvement in facilities for inventory control and improvement of capital turnover such occasions would be uncommon.

Under "open" mixing as set out in Section 1 of Rule 10 the free movement of goods from East to the West could be further facilitated by pool car operators and other shippers without harmful effect to western wholesalers but presumably to the advantage of such people by the means outlined hereunder.

The movement of 3rd class cars, which is at present restricted to Drugs, to three distributing points could be developed to serve more distributing points by the inclusion of other lines of merchandise provided for at 3rd class in carload lots to the benefit of drug wholesalers located at other Western Canadian distributing points as well as the general shipping public at such other points.

By the inclusion of other tonnage subject to 4th class carload rating, the number of distributing points served by 4th class Grocery pool cars could be expanded.

By the assembly of articles classified under the Machinery Distinctive Heading at 5th class and 6th class in mixed cars with articles of the same

classification classified under the Electrical Appliances and Supplies and other distinctive headings more frequent departures could be arranged, or lower freight costs would be incurred to the points now served and a greater number of destinations could be directly served.

Articles which at the present time can only move at carload rates in straight carload quantities by reason of the fact that they are not classified under any Distinctive Heading or are provided for under a Distinctive Heading at a carload rating which exceeds the average carload rating provided under such Distinctive Heading, thus constituting resistance against accumulation of sufficient appropriate tonnage to equal the carload minimum weight, could be combined with other articles provided for at the same rating for movement in mixed carloads at carload rates.

The adoption of uniform open mixing as outlined in Section 1 of Rule 10 would curtail or eliminate such wasteful procedures as:

- (a) The movement by less than carload rail service or highway transport of individual consignments from the carload distributing point to the final destination which involves delay and additional expense.
- (b) The accumulation of large inventories by both the shipper and the consignee in attainment of the carload minimum requirement for certain lines of merchandise thus necessitating unproductive employment of capital.

It will be seen that despite the artificial barrier represented in Section 2 of Rule 10, that in respect to the movement of lines of merchandise aggregating any appreciable tonnage, this Rule fails to provide a means by which the Western wholesaler can exercise control of carload movements of his particular commodity to the more important Western centres.

It will also be obvious that with further increases in population in Western Canada will come increased demands for merchandise which will support further developments in the pool car industry even in lines of merchandise which are not classified under any Distinctive Heading so that any virtue remaining in the Rule from the standpoint of its original conception will continue to diminish concurrent with the development stages of Western Canada until its effectiveness will have been totally dissipated.

It is also our submission that the subject Rule is at this time contrary to the provisions of Section 322 of the Railway Act under which the Board of Transport Commissioners for Canada is directed to endeavour to have the Freight Classification made uniform throughout Canada, as far as may be, having due regard to all proper interests. We believe it will be agreed that we have established the current invalidity of the considerations which originally influenced the Board of Transport Commissioners to legalize this Rule and that uniform application of Section 1 of Rule 10 would now be in the public interest.

It is our further submission that Section 2 of Rule 10 is under present day conditions in Western Canada unjust and unreasonable and should be disallowed by the Board under Section 325 of the Railway Act. It is our belief that the development of Western Canada since the early

part of this century has been such as to constitute at this time a very decided challenge to the justice and reasonableness of a Rule designed as a measure of protection to special interests, conditions and circumstances in both parts of the country being, as they are at present, substantially similar.

The Board of Transport Commissioners has been asked to consider the existing difference between the respective positions of a merchant in Moncton, New Brunswick and a merchant in Moose Jaw, Saskatchewan -- the population of both commodities being roughly comparable -- both of which merchants may desire to arrange for movement from Toronto to their respective locations of a mixed carload shipment comprising the following articles:

| <u>Commodity</u> | <u>Weight</u> | <u>Classification</u> | |
|------------------------------------|--------------------|--------------------------|------------------|
| | | <u>Less than Carload</u> | <u>Car-Load.</u> |
| Motorcycles | 3,000 | 1 | 3 |
| Carpets | 3,000 | 1 | 3 |
| Automobile tires | 7,000 | 1 | 3 |
| Chemicals, drugs and medicines | 2,000 | 1 | 3 |
| Incandescent and fluorescent lamps | 3,500 | 1½ | 3 |
| Radio receiving sets | 3,500 | 1½ | 3 |
| Fluorescent lighting fixture | 2,000 | 1 | 3 |
| | <u>24,000 lbs.</u> | | |

Such a mixed carload shipment would move from Toronto to Moncton at the actual weight of 24,000 lbs. at the 3rd class rate of \$1.05 or a total charge of \$252.00 which would be a reduction of 34% of the less than carload basis on 17,000 lbs. at the first class rate of \$1.39 or \$236.30 and on 7,000 lbs. at 1½ times the first class rate or \$2.09 or \$146.30 or a total of \$382.60.

For movement from Toronto to Moose Jaw such a consignment would be billed at the less than carload basis of 17,000 lbs. at the first class rate of \$4.46 or \$758.20 and 7,000 lbs. at $1\frac{1}{2}$ times the first class rate or \$6.69 or \$468.30 or a total of \$1,226.50 which is approximately 171% of the amount of the freight charges which would accrue under uniform application of Section 1 of Rule 10 namely, 24,000 lbs. at the 3rd class rate of \$2.99 or \$717.60.

It is true that for the movement from Toronto to Moose Jaw the total amount of \$1,226.50 freight charges need not necessarily be incurred. If it suited his purposes, the Moose Jaw merchant could arrange for shipment in appropriate pool cars to Winnipeg of the automobile tires and the chemicals, drugs and medicines, for movement from Winnipeg at less than carload rates. For the movement of the balance of the articles from Toronto to Moose Jaw, however, there would be no means of reduction of the less than carload basis as no appropriate pool car service is available.

In general, we submit that Section 2 of Rule 10 is: (a) not essential under existing conditions and circumstances to the interests on behalf of which it was originally written, (b) contrary to the provisions of Section 322 of the Railway Act and (c) unjust and unreasonable, and should therefore be disallowed by the Board of Transport Commissioners under Section 325 of the Railway Act.

Your Commission is accordingly respectfully requested to give consideration to the matter of uniform application of Section 1 of Rule 10 of Canadian Freight Classification No. 19.

As requested by you in your letter of October 1st,

we have sent you under separate cover fifteen copies of this brief.

As stated at the beginning of this letter a similar submission was made on August 8th to the Board of Transport Commissioners for Canada and copies of this August 8th submission have already been sent to:

Mr. G. F. Smith, Chairman, Canadian Freight Association;

Mr. L. J. Knowles, Freight Traffic Manager, Canadian National Railways;

Mr. H. W. Gillis, Freight Traffic Manager, Canadian Pacific Railways.

Yours very truly,

B. Napier Simpson,

General Manager.

-

-

-

Mr. Reilly

MR HUME: Thank you, Mr. Reilly.

MR COVERT: Mr. Chairman, I thought perhaps I should call the attention of the witness and of the Commission to the fact that in the C.N.R. brief which has been filed, at page 192, the Canadian National Railways states that it is in favour of a uniform mixing rule for general application throughout Canada, and they urge that the rule should be substantially, I think practically identically as it is in section 1 of rule 10 of the present classification; and in the Canadian Pacific brief in Part II, on the first page in the appendix, the C.P.R. states that it has no objection to the establishment of uniform mixing privileges throughout Canada, and I think they do go on to say that there is full power now under the Railway Act for the matter to be heard by the B.T.C., and that the parties in the west apparently have been unable to agree on the uniform mixing privilege and that it is a matter essentially for the B.T.C. to hear the complaint and determine the matter.

We have had many submissions to us dealing with this mixing privilege, and apparently both the railways say that they are in favour of a uniform mixing privilege.

I do not think that under the circumstances I need add any more or ask any questions.

THE CHAIRMAN: Well, Mr. Covert, was not this question submitted to the Board last August?

MR COVERT: Yes.

THE CHAIRMAN: Then who opposed the application last August?

MR COVERT: My understanding is that perhaps it has not been heard yet. Is that right?

Q. Has this application that was submitted on August 8th to the Board of Transport Commissioners been heard yet?

A. No.

THE CHAIRMAN: Oh, I see.

THE WITNESS: It is to come up at the general freight rates investigation.

THE CHAIRMAN: O. It came up what?

A. At the general freight rates investigation which the Board has been asked---

MR COVERT: He said that it is to come up.

THE CHAIRMAN: Now, on page 2, Mr. Covert, I notice in the last paragraph on that page it is said that the system of handling these goods was originally legalized as a measure of protection to western wholesalers against the possibility of retailers bypassing wholesalers and buying directly from eastern manufacturers. Is that statement accurate? Perhaps Mr. Hume could answer that.

MR HUME: I am sorry, Mr. Chairman, I cannot answer that. I don't know. I suggest maybe Mr. Reilly might be able to.

THE WITNESS: That is the situation. As I understand it, that was the original conception.

MR O'DONNELL: I think, Mr. Chairman, you will remember that in Winnipeg there was quite some detailed discussion about the whole matter, and reference was given to the arrangements under which the rule had originally been established. That is all on the record.

MR HUME: Does that conform to the statement to which the Chairman is referring, that it was instituted for the protection of the wholesaler?

MR O'DONNELL: Generally speaking, my memory is that it was suggested that the wholesalers in Winnipeg particularly were the people who were most interested in the rule as originally established.

MR FRAWLEY: Exclusively, I think you might say.

MR O'DONNELL: I do not intend to say exactly what is on the record, but there is quite some detailed informa-

tion.

THE CHAIRMAN: Well, according to the wording of this submission, we are told that the rule was originally legalized so as to prevent retailers buying directly from manufacturers; is that right?

MR O'DONNELL: I do not think that is exactly the way it was done, as I remember. As I remember it, the matter was submitted to the Board of Transport Commissioners or the then Commission, and conferences were arranged for between the interested parties, and the majority opinion was that the mixing rule in the west as it is now should prevail and that the mixing rule as it applied in the east would not be followed. It was a majority opinion of those who were interested, and the Board confirmed it. That is my memory of the matter, my lord.

MR SINCLAIR: On the basis, I think it was put before the Board also, Mr. Chairman, that the result of the present mixing rule resulted in a lower cost of goods to the over-all consumers in western Canada at the time. That is what they contended; whether the Board accepted that or not I do not know. Then again in the proceedings before this Commission when we were at Calgary you will recall that there were two or three people who came forward and said that they wished to have the present mixing rule retained.

MR FRAWLEY: Who were those, Mr. Sinclair? I recall MacDonalds Consolidated in Edmonton.

MR SINCLAIR: The Brock Company, and Louis Petrie Limited.

MR FRAWLEY: Wholesalers.

MR SINCLAIR: The position of the Canadian Pacific, my lord, is this, that we have no objection to a uniform mixing rule, but we recognize that there is a very strong

difference of opinion regarding whether there should be a uniform rule or not, among people who use the services, and all the Canadian Pacific say is that it is for them to present their views and the Board will under the statute have a uniform mixing rule, after taking into account all the proper interests. According to section 322, "The Board shall endeavour to have such classification uniform throughout Canada as far as may be, having regard to all proper interests." Now, this is an old, old dispute, and there has always been an awful lot of difference of opinion, and the Canadian Pacific's position is that the people who use the service should get together before the Board and get it settled. The railway does not care.

MR COVERT: Mr. Frawley's objection to that, sir, would be that the consumer probably won't be represented.

MR FRAWLEY: That is right, that is right, Mr. Covert.

MR COVERT: But I think the position has been clearly put before this Commission, all phases of it, Mr. Chairman. The particular part of the submission to which you refer, I suppose that might have been the intention in the mind of the wholesalers, but I doubt very much if there is any way of establishing whether or not that is correct. The point is that anyone who is opposing it, apparently in every instance it has been a wholesaler. My understanding is that there were three cases -- I have not that information with me right here, but I have collected the three cases that have said that the difference in the mixing rule should continue, and they were all wholesalers. If my memory serves me correctly, I think we heard them all either in Calgary or Edmonton. In Winnipeg I think there was an intimation there that of course they wanted it retained, and I think that has been the main fight to

retain the difference in the mixing privileges, that has always come from the Winnipeg Board of Trade

THE CHAIRMAN: Q. Well, has the Board intimated in this particular case that it will consider this application along with its general investigation in the equalization of freight rates? Have you been told that?

A. Yes it has been accepted, my lord, as a matter for inquiry at the general freight rates investigation.

MR O'DONNELL: My lord, the matter of the history of the rule concerning which you asked I think has already been recorded, but it will be found reported in Canadian Freight Association No. 1342, volume 15, under the Board of Railway Commissioners for Canada General Order No. 421, dated July 17, 1925. I think we referred to certain extracts from that report during the sittings in Winnipeg, as a matter of fact.

CROSS-EXAMINED BY MR FRAWLEY:

Q. Mr. Reilly, you are the Traffic Manager of the Canadian Electrical Manufacturers' Association?

A. The Chairman of the Traffic Committee.

Q. Have you been a traffic officer for some years?

A. I think this is my third term as Chairman.

Q. Well, were you a traffic officer before that?

A. Yes, yes, that is my work.

Q. That is your work. How long have you been in that work, Mr. Reilly?

A. Nearly thirty years.

Q. Nearly thirty years?

A. Yes.

Q. You are familiar, then, with the difference in the operation of the mixing rule in eastern Canada and in western Canada?

A. Yes, sir.

Q. And you have told us that the mixing rule in western Canada is the same as works on the inter-territorial traffic also?

A. Yes.

Q. Now, can you tell us something of how that particular discrimination against western Canada came about, that there was a difference between eastern Canada and western Canada?

A. Well, my understanding is exactly as it is expressed in the brief, that it was a means of affording protection to wholesalers.

Q. When was it put in, about how long ago?

A. It seems to me it goes back before the end of the century.

Q. Away back in the early days when the buffalo were roaming the plains of Alberta, I suppose, and Winnipeg was the principal distributing point west of the Great Lakes?

A. Yes.

Q. And practically the only distributing point west of the Great Lakes?

A. Yes.

Q. Now, under those circumstances there was this distinction made, that eastern Canada should have one kind of mixing, namely, open mixing, and western Canada should have a mixing rule which suited the purposes of those Winnipeg wholesalers?

A. That is my understanding.

Q. That is about the fact?

A. Yes.

Q. And many, many things have happened since then, Mr. Reilly?

A. Yes.

Q. There has been a great change in the economy of

Saskatchewan and Alberta since that time?

A. Yes.

Q. Certainly in the economy of Alberta; is that right?

A. A very marked change, yes.

Q. And there are some large retailers in Alberta operating now?

A. Yes.

Q. Some retailers who would buy in carloads?

A. Yes.

Q. If they could mix the cars?

A. Yes, sir.

Q. That is right. But they cannot do that because of this mixing rule, which is different in eastern Canada than it is in western Canada?

A. That is correct.

Q. In eastern Canada at that time, at the turn of the century there were of course wholesalers throughout the area generally?

A. Yes.

Q. There was no comparable geographical or economic situation in eastern Canada to what it was in western Canada?

A. No. The distribution was centred all in Winnipeg, practically.

Q. That is right. Now, Mr. Reilly, tell me, as the years have passed what has been the bottleneck in getting the discrimination removed?

A. Well, speaking from my own experience, the bottleneck has been the difficulty of getting any national association to take it on, to take on the matter of a representation of this kind. There was always the fear of offending some section of the membership of the national association.

Q. You mean Electrical Association or Canned Goods Association -- that sort of thing?

A. Manufacturers---

Q. You mean trade associations?

A. Yes, sir.

Q. That is always the shipper of the goods?

A. Yes.

Q. The people who actually consume the goods and pay the freight in the long run have never had a voice in the matter at all, of course, Mr. Reilly, have they?

A. Well, it seemed to be always considered as a matter which would be doomed to failure unless it were sponsored by some national industrial or commercial organization, and, as I say, the bottleneck has been up to this point, according to my observation, the difficulty of getting any national industrial or commercial organization to sponsor an application of this kind.

(Page 7806 follows)

Q. I understand you quite well, Mr. Reilly. What you say is undoubtedly quite right, but why was it that no national associations would take it up - a difficulty that arose with the railways or with the Board?

A. No, the failure to get uniform leave among their members to proceed with it, and also the management of such organizations appeared to be a little diffident, even a little extra overly cautious, according to my observation.

Q. Well, Mr. Reilly, did the railways always take the attitude that Mr. Sinclair takes this morning that there had to be some agreement between the people of Western Canada before the railways would change the mixing rule?

A. That is the way I understand it.

MR. O'DONNELL: That is not what the report says. As I remember the report says that the matter was referred by the Board of Railway Commissioners to the interested parties and the Board polled their views and then decided accordingly, and the decision taken by the railways was not at all inconsistent with what it is today. According to the railway it had to be the majority of those interested.

MR. SINCLAIR: I think if Mr. Frawley would read that case he will find that the railways at one time did propose a uniform mixing rule, but there was tremendous opposition from the West.

MR. FRAWLEY: From whom in the West?

THE CHAIRMAN: From whom?

MR. SINCLAIR: From the Boards of Trade and other people who appeared before the Board.

THE CHAIRMAN: When you say "the West" do you refer

to any particular part, any particular city?

MR. SINCLAIR: My note shows "In 1927 the following Boards of Trade or Chambers of Commerce expressed themselves as being against any change in the existing rule -"

THE CHAIRMAN: Who?

MR. SINCLAIR: The Boards of Trade or Chambers of Commerce.

THE CHAIRMAN: In Canada?

MR. SINCLAIR: In these places - Winnipeg, Regina, Moose Jaw, Calgary, Edmonton, Vancouver and Victoria. No reply was received from Saskatoon. Now as I say, the railways are quite prepared to do whatever their patrons wish them to do but the Board, in view of this great dispute and having been required by statute to take care of all parties interested, are the people to define this dispute, and settle it in the view of the railways, and I do not think it is right for Mr. Frawley to say we are taking one view or the other. We are only trying to do what our patrons desire or require and we are always prepared to do that.

MR. FRAWLEY: I don't like to be asking my friend Mr. Sinclair questions, my lord, but who addressed this questionnaire to the Boards of Trade of Calgary and Edmonton? Was that by the railways or the Board of Railway Commissioners?

MR. SINCLAIR: The C.F.A.

MR. FRAWLEY: Very well, the railways then asked the Boards of Trade of Calgary and Edmonton whether they wanted a change in the mixing rule?

A. I think that is right.

Q. The Canadian Freight Association which equals the two railways?

A. Yes.

Q. And the Boards of Trade of Calgary and Edmonton - you know something about the mixup of Boards of Trade?

A. Yes.

Q. The large distributors are there, of course?

A. Yes.

Q. And they just wanted it left as it was. That would seem to be when they said they did not want any change. Now do you know whether any body, the Board, the Canadian Freight Association or anyone else, attempted to make any appraisal of the good to the people of the whole of Western Canada, that would come from the removal of the restricted mixing privilege?

A. To my knowledge there has not been any attempt to make any such appraisal.

Q. Will you tell me what it is that gave birth to your particular submission which now comes forward and says that this thing should stop?

A. Well, it is an artificial barrier, as I say in the brief, to the free movement of goods. It interjected a lot of detail work and trying to make the best job -

Q. Perhaps you misunderstand me. I agree with everything you say in your brief. We do not need to go over it. I want to know how did it come about. Did the Canadian Electrical Manufacturers Association just suddenly realize it was hurting them, or how did it come about?

A. Well, it is one of those things that are proposed in such Committees all over the country, I suppose, and in this particular case a lot of these proposals as you know die right in the Committee, some of them pass the Committees and die with the executive of these Associations. In this case it was proposed in the Committee and the Committee adopted it and the Committee's

1900

100

recommendations were accepted by the executive of the association.

Q. You submitted in the first instance to the Board of Transport Commissioners?

A. Yes.

Q. Is it practically the same brief, because I notice you are calling this Moncton vs Moose Jaw situation to the attention of the Board of Transport Commissioners? I suppose you are also calling it to the attention of the Royal Commission?

A. Yes, it is essentially the same brief.

Q. Now then, what reply did you receive? Did you receive any reply from the Board when you filed the document?

A. Yes, we got an acknowledgment.

Q. What did they say and when did you file it?

MR. SINCLAIR: It says on the face of the brief, August 8th.

A. August 8th, yes. I was looking for the reply.

MR. FRAWLEY: It is the reply that is not briefed?

A. I am afraid I have not got that.

Q. Perhaps you can tell us -

MR. HUME: Mr. Frawley, I think we have found the reply.

MR. FRAWLEY: Before you read the reply to make the record complete was there anything special that you said to the Board, when you filed the brief?

MR. O'DONNELL: They wrote a letter, I presume.

MR. FRAWLEY: Did you write a letter and ask when you wanted it heard or anything of that sort?

A. No.

Q. You just wrote and asked for a general inquiry as set up by P.C.1487?

A. Yes.

Q. And you got a reply?

A. Yes.

Q. Would you read the reply?

A. Yes.

Q. From whom is the reply?

A. Mr. Baillargeon, the Secretary. This letter is dated August 10th addressed to Mr. D. Napier Simpson, the General Manager of the Canadian Electrical Manufacturers Association.

Q. 1948?

A. 1949. Board's file 45464. He says:

"With reference to your letter of the 8th instant, (which is the brief) I am instructed to state that the Board have considered that no ex-parte disposition should be made of your present application in as much as other parties would undoubtedly be interested therein and would be entitled to be heard either in support or opposition thereto.

On September 25th, 1948, Mr. L. M. Reilly, Manager of the Traffic Division, Canadian General Electric Company Limited was advised that if this matter was desired to be considered within the scope of the Board of Transport Commissioners now pending it was required that the required number of applications be furnished so that parties interested therein had notice of the application.

I am instructed to state that the Board considers your present application to be one suitable for consideration under the special general investigation. Therefore, if you will furnish 30 additional copies the matter can then be dealt with in accordance with the wishes of the people concerned."

Q. He referred to some conversation or an earlier communication from you in 1948?

A. Yes, September 25th.

Q. You had not filed anything at that time?

(Page 7811 follows)

A. I merely wrote and drew the attention of the Board to their duty under that section of the Act which states that they should have this classification made uniform in so far as may be possible, and that I thought the subject should be included for consideration under the General Freight Rates investigation to be conducted by the Board. They did not accept that. They said there would have to be some factual --

THE CHAIRMAN: Q. Have you furnished the thirty copies, and so on?

A. Yes.

MR. FRAWLEY: Q. Having received that communication as recently as August, 1949, how was it decided that you should present your case to this Commission?

A. Well, at the time the brief was sent to the Board of Transport Commissioners a copy was sent to the Royal Commission as a means of keeping them informed that we had taken this action. Then a communication was received from the Secretary of the Royal Commission asking the Association whether it wished to make a formal presentation. We thought this was the thing to do in view of the fact that briefs from other sources had included this question.

Q. You had heard that other people had objected to the difference in the two mixing rules, and you thought this was the place to come to discuss it?

A. Yes.

THE CHAIRMAN: Mr. Frawley, perhaps you might find out whether on any occasion the retailers of Western Canada have taken part in this controversy. It is said here, according to this brief, that the rule originally was framed so as to prevent retailers from dealing directly with manufacturers.

MR. FRAWLEY: Q. Mr. Reilly, you say your original idea was that it was a protection to western wholesalers, and you as much as suggest that it was the Winnipeg wholesalers you had in mind. That is right, is it not?

A. Well, there were not very many other wholesalers at the inception in the West.

Q. If I may digress from your question, Mr. Chairman, you bear that out even in your brief because when you are telling about the Moose Jaw man you point out he has the alternative to go to Winnipeg wholesalers?

A. Yes.

Q. Apparently Winnipeg still dominates the situation as far as the mixing rule is concerned. Is that right?

MR. O'DONNELL: There are wholesalers from other places who have testified.

MR. FRAWLEY: I am only pointing out what he has done in his brief.

Q. You say the Winnipeg merchant you refer to can get the same degree of relief if he uses the facilities of Winnipeg wholesalers?

A. That is not what I intend to convey there.

Q. Will you explain it?

A. It is not the facilities of a Winnipeg wholesaler I say he would use, but the facilities of a pool car operator who would operate his service to Winnipeg, and it is more or less due to the fact I happened to pick out Moose Jaw that Winnipeg is brought into it at all.

Q. Suppose this merchant was in Medicine Hat. Would it not be the same situation?

A. No, because the best basis there would be probably Calgary.

Q. Calgary and a back haul to Medicine Hat.

A. Yes.

Q. You say that would be the alternative?

A. Yes.

Q. Calgary and a back haul to Medicine Hat. How about Lethbridge? Calgary again?

A. Yes.

Q. And a back haul to Lethbridge?

A. Yes. It depends on whether the pool car operator is able to furnish service.

Q. Then back to the Chairman's question, do you know in any of the surveys that were made to get an opinion about the advisability of retaining this mixing privilege in Western Canada, if they ever went beyond the wholesaler and got down to the retailer to ask his opinion?

A. Well, I know this much that, as I understand it, the National Federation of Retailers has made representations on this matter to this Royal Commission.

Q. Yes, the Retail Merchants Association of Canada?

A. Yes.

Q. They take the identical view you take that this discrimination should be abolished?

A. Yes.

Q. The Chairman really was asking whether or not over the course of the years certain people were being asked for their views. Do you know whether or not the retailers were asked as a class what they thought about the retention of the mixing privilege?

A. I could not say; I do not know that, except that he would be a member of a board of trade, and so on.

Q. That is true, except if the retailer was a member of a board of trade. He would have an opportunity to raise his voice there. You do not know of any other manner in which he was approached?

A. No.

Q. How about the farming community in Western Canada?

A. I do not know.

Q. The grain organizations, the wheat pool representing the consumers, anything of that sort?

A. I understand that the Co-operative is in favour of the revision that we are.

MR. O'DONNELL: Q. What Co-operative is that?

A. The Grain Growers, is it -- the Canadian Co-operative Grain Growers Association.

THE CHAIRMAN: Any more questions?

MR. FRAWLEY: That is all.

- - - - -

CROSS-EXAMINATION BY MR. O'DONNELL:

Q. Have you ever read the judgment setting out the history of the mixing rule?

A. Is that in 1925?

Q. I am sorry, Mr. Brazier has some questions to ask.

- - - - -

CROSS-EXAMINATION BY MR. BRAZIER:

Q. Would you tell me whether your Association covers manufacturers all over Canada, or is it just an Eastern Association?

A. No, we have members --

Q. There are certain electrical manufacturers in Vancouver, are there not? I suppose it is a relatively small number.

A. I believe so.

Q. Are they members of your Association?

A. I have a memorandum here of the distribution of the membership of the Canadian Electrical Manufacturers

Association. The total is 123, and the distribution by provinces is Ontario 95, Quebec 21, British Columbia 3 and Manitoba 4.

Q. So the Manitoba and British Columbia members know about this brief, do they?

A. Well, the brief itself -- that is the brief to the Board of Transport Commissioners which is the same brief as the one we are talking to now -- was circularized to every member company; that was done.

Q. I presume it is correct, Mr. Reilly, that what you suggest will benefit western manufacturers as well as eastern manufacturers?

A. We think it would, yes; we believe it would.

MR. SHEPARD: I think perhaps, after Mr. Frawley's eloquent reference to the Winnipeg wholesalers, that I should put on the record -- I do not want to ask Mr. Reilly any questions -- a reference to this question of mixing privileges which appears in the main Manitoba submission to the Commission, chapter 9, pages 14 and 15. I might say in passing that it coincides with the submission made by Mr. Reilly on behalf of his Association.

THE CHAIRMAN: You might say what?

MR. SHEPARD: That the view expressed by the Manitoba Government in our submission coincides with the view expressed by Mr. Reilly's Association.

MR. COVERT: You are just putting in the reference to the pages, not the actual words?

MR. SHEPARD: Since the Manitoba submission has not actually been received in evidence yet, I would not think that I should read it, or any portion of it, now.

THE CHAIRMAN: Anyhow you have referred to the pages.

MR. SHEPARD: I wanted to have the reference on

the record.

THE CHAIRMAN: And it agrees with Mr. Reilly's request?

MR. SHEPARD: Yes.

THE CHAIRMAN: If there is nothing else we thank you, Mr. Reilly.

MR. HUME: I think it might help in connection with this submission if I tell you that I am instructed that the Canadian Electrical Manufacturers Association are quite happy to let the Board of Transport Commissioners settle the matter, and that it was to the Board that the original submission was made. I think Mr. Reilly has mentioned that they are here because of a letter from the Secretary indicating that they should present this matter to the Commission, but they are quite happy to let the Board settle the matter on the original application made by them.

MR. FRAWLEY: Perhaps it would be a good time for me to say that the Alberta Government will have a submission to make as to the mixing privilege, and with every respect to the Board of Transport Commissioners we are requesting the Commission to make a recommendation with regard to the removal of this discrimination.

THE CHAIRMAN: We will consider that when the time comes.

MR. COVERT: Mr. Chairman, the next submission is that of the Boards of Trade of the Cariboo District. The witness will be Mr. G. M. Murray, M.P., who will be introduced by Senator Gray Turgeon.

SENATOR TURGEON: Mr. Chairman and Commissioners, I will be very brief, but I could not rise here to-day in connection with the presentation on behalf of better transportation facilities for the Peace River District

without expressing appreciation of the privilege and the honour of presenting to you Mr. George Murray, Member of the House of Commons for Cariboo. I happen to be the Senator for Cariboo, and for some years was the member of the House of Commons for that same riding. The Peace River block of British Columbia is a very important part of the old Cariboo district, and as everyone here knows the Peace River country is of great importance to the province of Alberta as well as to the province of British Columbia.

We are asking that the cry for the greater development of the natural resources of British Columbia in that northern portion in the Peace River country, the cry that has been made for years, be heeded. I am taking the opportunity of bringing to your attention that many years ago after the first world war veterans were encouraged by the federal government to settle in the Peace River country, and they were told without question that transportation facilities by rail would be given to that country connecting it with the Pacific coast. Later Sir Henry Thornton, a former president of the Canadian National Railways, said that when the Peace River country produced ten million bushels of wheat it would have rail communication with the Pacific Ocean.

I am making these two points to explain why that country is settled, not in any small area but in a large number of areas widely scattered because to a large extent settlers went up there to produce grain and to find homes on agricultural land as veterans of the first world war, and to some extent as veterans of the second world war. Mr. Murray and I are making no criticisms whatever either of the provincial governments or of the two great railway companies. We are certain

that both governments, the government of Alberta and the government of British Colubbia, and the two railway companies, the Canadian Pacific and the Canadian National, and also the Northern Alberta Railways which is owned, controlled and maintained by the two great railway companies, are as anxious as we are to have the whole Peace ^{country} River properly developed.

Mr. Murray, speaking for all the people of the Peace River country regardless of occupation and regardless of political adherence, will be asking that the Hines Creek branch of the Northern Alberta Railways, whose terminal north of the river is at Hines Creek, be extended westward through British Columbia, through ^{the} Fort St. John ^{the} area and on to the great coal mining region of Peace River country around Hudson's Hope and Canyon Creek. He will ask that everything possible be done to make certain that, within a proper realistic time, that country will be linked up with Prince George.

In conclusion I want to say once more that the people of that large area have been crying for years for this railway, but there is no criticism of any railway or governmental group. We are simply asking the Commission to see that the requirements of that area are properly known, that the needs and the demands and the requests of the people of that area are given proper consideration in your report. I am now going to ask Mr. George Murray, Member for Cariboo, and a resident of Fort St. John in the Peace River country, publisher of the Alaska Highway News, and serving his first term in parliament as member for Cariboo, to present the brief prepared by him at the request of all the people of the British Columbia Peace River block.

GEORGE M. MURRAY, M.P., called

THE WITNESS: Mr. Chairman and Commissioners: the facts have been fairly well set out by Senator Turgeon. The brief which has been submitted is merely a collection of information backing up the position which has been outlined by Senator Turgeon. Is it your wish that I should read the brief? I am afraid it is rather lengthy. It is really a sort of petition for transportation rights on the part of the people residing in that area.

MR. COVERT: Mr. Murray, it can be taken as read right into the record, and if you like you may take each chapter and sort of summarize the main points if you want to do that.

THE CHAIRMAN: Pardon?

MR. COVERT: I wanted to tell Mr. Murray that it could be taken as read right into the record, and that he might take each chapter and in effect just say what is the main purpose of it.

THE CHAIRMAN: I think that is all right.

(The following is the brief of the Boards of Trade and Chambers of Commerce of the Peace River Block).

PROPOSED PEACE-PACIFIC RAILWAY

INTRODUCTION

Mr. Chairman and Commissioners:

In placing before the Royal Commission on Transportation the claims of the Peace River country for adequate railway services, we are seeking to have implemented by the Parliament of Canada, the post-war recommendations submitted by the Committee on Rehabilitation and Re-establishment with respect to transportation.

May we point out to this honourable commission, in setting out anew facts regarding the transportation situation in the Peace River country that the usual process in the west has been to build the railway ahead of settlement. In the Peace River country men and women went in ahead of the railways, by covered waggons and ox-teams, built thriving communities and in many cases waited in vain for railway services.

While Northern Alberta Railways to-day serve a part of the Peace River country region, all north of the Peace River in British Columbia and much of the area in Alberta, has no railway service and must depend upon the use of motor trucks, motor buses and aircraft for transportation.

Railways in North America have usually received assistance from government either in cash grants or concessions of land and natural resources to enable construction of lines opening up new regions and to serve defence needs.

Prior to the railway era, in both Canada and the United States, the building and maintenance of turnpikes, roads and canals was regarded as a governmental responsibility. With the introduction of the steam locomotives,

government assistance was at once placed behind the railways just as it had been previously given the construction of canals and public roads.

Grants of land and substantial sums of money were given the Canadian Pacific Railway. Thus the company was enabled to grow into one of the great corporate institutions of our time

Grants were made of both land and money to the group of railway companies which were incorporated into the Canadian National Railway System.

That this railway policy in Canada has been justified may be proved in the service rendered the nation by these two rail systems and their subsidiaries such as Northern Alberta Railways in peace and war. The growth and development of Canada has been dependent upon the efficiency of Canadian transportation.

Railway policy in Canada was modelled to some extent upon that of the United States. In that country land subsidies of millions of square miles were granted the earlier railway companies and cash grants from both federal and state governments ran into many billions of dollars.

Those groups of settlers in the Peace River country, who are far removed from a railway, being denied the service of modern rail transportation, submit that they are being discriminated against. They assert that they have a right to equal transportation facilities in their frontier communities to those granted settlers in the Saskatchewan Valley, Red River Valley, Missouri Valley, Columbia River Valley, Fraser River Valley, and other new settlements as the mass of population moved ever westward during the past century.

The people of the Peace River country point out



that there is no precedent which can be given for the continued isolation so far as railway services are concerned of whole inland communities where extensive tonnage of freight is already available and where motor trucks are used as a substitute for the railway.

In communities where limited railway services are already available in the Peace River country, there is protest against the present back-haul of shipments to the Pacific seaboard. While freight rate concessions have been made, yet the waste of time and effort in shipping goods more than 500 miles south and east to Edmonton, before sending them on to the coast, places a heavy handicap upon the entire country north of McLennan, Alberta.

We respectfully point out that while the question of building a coast outlet for the Peace River country has been before the public of Canada for more than half a century, that following World War II, an entirely new situation has developed in the northland which emphasizes the urgent need of rail construction to the Pacific for military purposes.

Construction of Alaska Highway has opened the country from Dawson Creek, B.C. to Fairbanks, Alaska, to settlement and development of basic industries.

Building of the Northwest Staging Route of airfields from Edmonton to Alaska as part of the defence system of the northwest having been carried out, the added military value of proposed rail communications from the Pacific direct to the Alaska Highway terminal in the Peace River country and the series of airfields, must be recognized.

Discovery of large bodies of uranium ore on Great Bear Lake has added greatly to the security of

Canada and allied nations. Extension of branch lines ultimately to the northeast of a Peace-Pacific Railway would reduce freight rates to the new mining areas at Great Bear Lake, Yellowknife and elsewhere in the MacKenzie Valley.

Discovery of oil in October, 1949, in commercial quantities near Peace River Crossing, Alberta, at Normandville, means extension of the great oil-bearing territory from Edmonton Northward towards the existing oilfields at Norman Wells on the MacKenzie River and opens a new era of industrial activity in the entire region.

Development of reserves of natural gas along the Peace River at many wells now proved, with a view of servicing great communities at the Pacific Coast, is another factor which bears upon the necessity of modern rail services.

Successful mining of coal at Hudson's Hope during and since the war period, 115 miles from railhead, underlines the certainty of large tonnage of coal at that point should a railway be constructed through the Peace River Pass.

Development of the largest mercury mine in the world by the Consolidated Mining and Smelting Company at Pinchi Lake on the Turgeon Highway during the war period, suggests possibilities of business for a railway from new mining projects in the Prince George-Finlay Forks sector. In this area the existence of bodies of ore containing copper, silver, gold and other metals are well known and their development awaits provision of transportation facilities.

A growing lumber industry in the region between Hines Creek, Alta., and Hudson's Hope, B.C., is also incidental to the great changes which were brought about

by war conditions. Sawmills are now in operation which must ship their lumber upwards of 100 miles to railhead.

Growth of the agricultural population of the region has continued with settlers taking up and occupying land far removed from rail services, some being from one hundred to three hundred miles distant from railhead.

Establishment of flourishing towns such as Fort St. John, 49 miles from railhead, and Fort Nelson, three hundred miles from railhead, are factors which may be weighed by your Commission in reviewing the urgent transportation needs of the Peace River country.

Development of highways, rail services and airways in the Territory of Alaska is drawing new population into the north. Industrialization is being carried out in Alaska and colonization is being encouraged. Much of the land and air communication between Continental United States and Alaska crosses the Peace River country. The Alaska trade would be a valuable factor in adding to tonnage and passenger traffic on the proposed railway extensions between Hines Creek, Alta., and Alaska Highway points, and between San Francisco, Cal., Seattle, Wash., and Portland, Ore., and Alaska Highway points.

During the war we saw many Russian aviators at our airports on the Northwest Staging Route as they came to take back to the U.S.S.R. the thousands of fighter aircraft supplied by factories of this continent in the war effort. The potential resources of our Canadian northwest are well known to the Kremlin. The expanses of arable land which remains unsettled and unserved by rail transportation in Northern Alberta, Northern British Columbia and the Yukon and MacKenzie River regions must be settled by our own people and by those of our allies under the Atlantic Pact. An added defence of the

northwest is bound to be a busy and prosperous citizenry north of Edmonton, Alta. Construction of a direct rail line to the Pacific should be of military as well as of peace-time value to the nation.

We therefore respectfully ask that this Royal Commission upon Transportation recommend to the Parliament of Canada that an early start be made upon the construction of such railway extensions in the Peace River country of British Columbia and Alberta as will link the settled areas of that region with Northern Alberta Railways at Hines Creek, Alta., and Dawson Creek, B.C., and with Canadian National Railways at the divisional point of Prince George, B.C.

And we further respectfully ask that the undertaking be carried out by the Canadian Pacific Railway and Canadian National Railways jointly under authority granted under the British North America Act Section 92, No. 10 (a).

CHAPTER I

BRITISH COLUMBIA A HEAVY IMPORTER OF FARM PRODUCTS

.....

British Columbia is an importer of farm products. The comparatively small area of the Lower Fraser Valley, now largely being sub-divided into small farms and small holdings, supplies but a fraction of the needs of the great consuming centres of the Province.

Floods in 1948 threatened to wipe out the agricultural areas of the Lower Fraser Valley. The government of Canada in 1948 granted \$15,000,000. for reconstruction of dykes and flood relief. Extensive dykes must be maintained to protect the Lower Fraser Valley from further inundations. The valley is but sixty five miles long and is from five to ten miles wide, being walled in by mountains

on the north and cut off by the United States Boundary on the south. It is the chief source of food supply for the Greater Vancouver area and the largest producer of British Columbia farm products.

Imports of farm products from other Provinces into British Columbia in 1947, a typical year, were valued at \$59,458,330.

Imports from foreign countries of farm stuff which could be produced in the Province of British Columbia exceeded \$5,000,000.

A rail outlet to the Pacific Coast from the Peace River Valley would make possible the settlement of new lands and the increasing of food production within the Province. It would establish a permanent food supply line to the coast cities.

In the Cariboo cattle country, served by the Pacific Great Eastern Railway, there is little or no grain production. Herds are fattened upon the open range. Growers are therefore compelled to market most of their beef at the end of the growing season. Cheap supplies of grain and feed stuffs from the Peace River country is the main need of the ranching area. These could be provided by a direct rail line from the Peace River country to Prince George. While quantities of hay are grown and stacked for winter feed along the Pacific Great Eastern Railway, Cariboo beef growers are continuously faced with possible feed shortages in the winter seasons.

Shipments of cattle from the Pacific Great Eastern territory in 1948 to Vancouver supplied less than one half of the beef demand of British Columbia cities and were as follows:

Williams Lake.....14,155

Quesnel, Soda Creek & Lac La Hache... 2,839

| | |
|----------------------------------|--------------|
| Clinton, Lillooet, Pavilion..... | 9,820 |
| Ashcroft, Big Bar etc..... | 3,438 |
| | <u>-----</u> |
| | 30,252 |

Construction of a coast outlet would make possible the stall feeding of cattle in the Cariboo range country, the orderly marketing of the beef and greatly increasing the livestock production of the Cariboo country, possibly to the point of making British Columbia self-sustaining in the field of meat production.

The stall feeding of beef upon cheap grain supplied from the north, via the Peace-Pacific Railway, would in turn make possible a better grade of beef for the consumers of the coast cities. Shipments of the finished product could be made at more regular intervals, providing the cities steadily throughout the year with larger supplies of beef of improved quality.

Shipping around by Edmonton, the growers of Dawson Creek and Fort St. John, sent to market more than 2,500 head of beef last year. Their shipments to Alaska Highway points numbered more than 500 head.

An improved cattle industry would result in the Peace River country, if a short haul to the range lands of the Cariboo existed. Feeder cattle could be sent north in large numbers to consume low quality surplus grain and fodder supplies in the Peace River country. From the Peace River country supplies of cattle would be increased to the Edmonton market, despite supplying direct by the proposed coast outlet of the Pacific Coast Butchers and Packers.

Crop production in the Peace River Block in 1949 was reported as follows by Dr. J. B. Munro, Deputy Minister, British Columbia Department of Agriculture.

| | |
|-------------|-------------------|
| Wheat | 3,000,000 bushels |
| Oats | 3,500,000 |

| | |
|--------------|---------|
| Peas | 10,500 |
| Barley | 200,000 |
| Flax | 40,000 |

More than half of the production given is from land north of the Peace River and must be hauled by truck more than fifty miles to the elevators at Dawson Creek. The town of Dawson Creek, a community at the head of steel of 3500, was declared, in 1949, to be the largest single shipper of grain, an honour formerly held by Sexsmith, Alberta, a neighbouring elevator town on Northern Alberta Railways.

Grain production in the entire area of the Peace River Valley which would be served by the proposed Peace-Pacific Railway, lying on both sides of the Alberta-British Columbia boundary, was estimated for 1949 by J. M. MacArthur, General Manager of Northern Alberta Railways at 25,000,000 bushels.

Land cleared and under cultivation north of the Peace River in British Columbia where no railway exists, is estimated by Vernon MacLeod, Manager Canadian Bank of Commerce at Fort St. John as being more than 100,000 acres.

Crops must be moved by motor truck or horse teams from fifty to one hundred miles to elevators in that area.

New breaking of land in 1949 in the North Peace Section, from fifty to one hundred and twenty miles from the railway is estimated by the British Columbia Department of Agriculture at 14,000 acres.

Upwards of 10,000 acres annually of new breaking is reported since 1946 north of the Peace River.

In 1949 the amount of summer fallow in the Peace River Block was 135,000 acres.

Under the Veteran's Land Act, a settlement of returned soldiers was established at Montney, some miles

from Fort St. John, on the north side of the Peace River. Thirty-two families now reside upon new holdings in that area and in 1949 harvested their first crops. Excellent crops are reported by the British Columbia Department of Agriculture on these lands. These veterans must haul their grain sixty miles to an elevator. Other veterans have gone in on individual holdings beyond this Veterans Land Act settlement and are established on lands, some of which are one hundred miles or more from rail head.

While the greatest tonnage for the proposed Peace-Pacific would be provided by the farm population of the Peace River Block in British Columbia and adjacent areas in Alberta in the Peace River region, it is of importance to note that the lands immediately adjoining the Peace in British Columbia form about one third of the total area of arable lands listed as suitable for settlement in a survey made in 1947 by the North Pacific Planning Project directed by Charles Camsell, C.M.G., LL.D. F.R.S.C., issued by Department of Mines and Resources, Ottawa.

The total arable lands in the North Pacific Region within British Columbia are given as follows:

| Surveyed Districts | Cultivable lands suitable for settlement | Open Grazing Wild Meadow Lands |
|---------------------------------|--|--------------------------------------|
| | Acres | Acres |
| Peace River Block | 2,000,000 | 1,400,000 |
| Finlay-Parsnip Valley--- | | |
| Finlay-Parsnip Rivers | 600,000 | 200,000 |
| Mesilinka Valley | 40,000 | |
| Osilinka Valley | 20,000 | 120,000 |
| Omineca Valley | 30,000 | |
| Nation Lakes | 255,000 | |
| Fort Nelson-Liard Section--- | | |
| Lower Kechika | 200,000 | |
| Prophet-Musqua | 150,000 | 635,000 |
| Fort Nelson area | 195,000 | |
| Fontas River | 20,000 | |
| Toad River | 300,000 | |
| Canadian National Railways belt | | |
| including Chilico | 800,000 | 1,400,000 |
| Queen Charlotte Islands | 825,000 | |
| | 5,435,000 | 3,755,000 |

The proposed Peace-Pacific Railway would serve all lands listed above save those on Queen Charlotte Islands and on the Canadian National Railways beyond the Prince George land district.

Recapitulation

| | Total Cultivable Soils |
|------------------------------------|------------------------------|
| In Alberta | 9,085,400 |
| In Peace River of British Columbia | 5,000,000 |
| In Yukon (Estimated) | 500,000 |
| | 14,585,400 |

In 1911 there were less than 2,000 people, including traders, missionaries and Indians, in the Peace River Valley.

The railway penetrated the district from Edmonton in 1916. By 1921 the population had increased to 20,000. In 1931 it was 60,000.

Today there are 52,427 voters in Peace River Federal

Constituency, Alberta, and 6,500 voters in the Peace River Block section of the Cariboo Federal Constituency of British Columbia. A fair estimate in 1949 of the population of the Peace River Valley would be well above 110,000 in all. Occupied land would approximate 4,000,000 acres. Subtract 4,000,000 from the total cultivable land given by the Department of Mines and Resources, Peace River Valley, of British Columbia and Alberta, plus the Yukon as 14,585,000 and there remains 10,585,000 acres.

On the basis of population on the Canadian prairies of one person to each 41.5 acres of occupied farm lands, these 10,585,000 acres would support an additional population well above 230,000 souls in the territory to be served by the proposed Peace-Pacific rail outlet.

From "Canada's New Northwest" published by The Northwest Planning Project, under the authority of Department of Mines and Resources, 1947, page 45, we quote the following paragraph which follows a statistical analysis of the whole North Pacific region, the major part of which would ultimately be served by a Peace River-Pacific rail outlet:-

"It is therefore concluded that between 265,000 and 282,000 would be a reasonable forecast of the population that may be expected normally to settle in the region (North Pacific Planning Area) in the discernible future, and under such conditions as can be at present foreseen. Addition of the 110,000 people now in the region would indicate a total population of from 375,000 to 390,000. In view of the very conservative basis upon which this estimate has been developed and the large areas for which the economic potential cannot be even roughly appraised, we may be justified in forecasting a

population of 400,000, to bring to prairie level, for the North Pacific Region in the discernible future."

CHAPTER II

LAST GREAT SOFT WOOD STAND IN NORTH AMERICA

The proposed Peace-Pacific Railway from Hines Creek, Alta. to Prince George, B.C. and from Dawson Creek, B.C. to Prince George, B.C., would open to industry one of the last great soft wood regions left on the continent.

Pulpwood was being shipped during last year from points on Northern Alberta Railways, via Edmonton, Alta., to pulp mills in Wisconsin, U.S.A.

The country from Hines Creek westward to Hudson's Hope is largely forestal. Settlers in many instances make a profit from selling wood for fuel or for lumber.

Modern power equipment makes it possible to clear land for agriculture at low cost. In older sections of the Peace River country, as in Northern Ontario and Quebec, the pulpwood has been a cash crop for the settlers.

Within the Peace River Block of British Columbia sawmills shipped more than 28,000,000 board feet of lumber in 1948.

Much of the lumber had to be trucked from fifty to eighty miles to Dawson Creek and the railhead. The largest operator is Fort St. John Lumber Company which recently employed between 300 and 400 men.

More than a million board feet was shipped by truck to army outposts on Alaska Highway for construction

of army headquarters at Fort Nelson, Whitehorse and Waton Lake.

The proposed railway, if built by way of Finlay Forks, would tap a timber country, roughly described as the Fort George District with merchantable timber estimated by the Forest Service of British Columbia, Department of Lands and Forests, Victoria, B.C., as 32,910,000,000 feet board measure.

About one-quarter of this timber is at present accessible. Three-quarters of it lies tributary to a railway route which might be projected through the Peace Pass.

More than 200 sawmills were operating in the Prince George area in 1948, most of them on the edge of the great limits which spread through the Pine and Peace River passes.

The softwoods which flourish in the river valleys which open out from the headwaters of the Peace River should some day supply many pulp mills.

Dr. J. S. Bates, of the Canadian Forestry Association, who has explored the forests of that region, states that the white spruce and poplar of the region would be especially prized by manufacturers of bond papers.

TABLE #2

Forest Resources of British Columbia
Department of Lands, Fort George District
- 1948 -

| Drainage Basin | Merchantable | Accessible Merchantable |
|--------------------------|--------------|----------------------------|
| | 1,000 ft. bm | 10,000 ft. bm |
| Fraser River Headwaters | 3,656,000 | 2,008,000 |
| Bowron River | 3,617,000 | 1,491,000 |
| McGregor River | 3,344,000 | 1,530,000 |
| Willow River | 1,959,000 | 525,000 |
| Upper Fraser River | 2,521,000 | 1,341,000 |
| West Road-Chilako | 327,000 | 107,000 |
| Nechako River | 515,000 | 415,000 |
| Salmon River | 696,000 | 101,000 |
| Stuart Lake | 1,506,000 | 209,000 |
| Takla Lake | 856,000 | |
| Parsnip | 4,323,000 | |
| Murray River | 1,470,000 | |
| Finlay Forks Hudson Hope | 2,510,000 | |
| Omineca River | 208,000 | |
| Finlay River | 1,089,000 | |
| Half way and Beatton | 462,000 | |
| Peace River Block | 3,851,000 | 668,000 |
| | 32,910,000 | 8,395,000 |
| | 32,910,000 | 8,395,000 |

CHAPTER III

COAL RESOURCES OF PEACE RIVER:

RAIL OUTLET WOULD SAVE CANADIAN DOLLARS

A recent compilation of the mineable coal reserves of the Peace River district, made for the Royal Commission on Coal, and quoted in the publication "Canada's New Northwest", issued by the Department of Mines and Resources, Ottawa, places them at 1,040,480,000 short tons, the largest part of which is in the Peace River canyon coal field and its northern extension.

In addition to this may be added extensive seams of coal at Hasler and Commotion Creeks, west of Dawson Creek, on the Pine Pass Highway, discovered within the past few years.

In the Peace River Canyon the coal seams outcrop on both sides of the river for nearly twelve miles.

Three mines are now operating in the Canyon area, with headquarters at Hudson's Hope, B.C., they are:

The King Gething Coal Company

The Peace River Coal Company

The Packwood Coal Mines.

A mine on Hasler Creek operated for some time in 1946 and 1947 and shipped its coal to Dawson Creek. It was later closed down and the coal measures placed under reserve at that point by the B. C. Government.

At present coal is hauled from Hudson's Hope by truck to Fort St. John, Dawson Creek and points on Alaska Highway.

A contract of thirty tons a day has been placed by Northern Alberta Railways and is being filled. The coal is used by the railway in its locomotives.

Trucks cover a mileage of upwards of one

hundred miles to Dawson Creek. The coal is unloaded by hand at Northern Alberta Railways.

Coal is delivered by truck as far as 300 miles north on Alaska Highway.

Coal from the Peace River mines is hauled over the Hudson's Hope -- Charlie Lake road, a distance of approximately 60 miles. The condition of the road is such that loads are limited to five tons at certain seasons. Bridges on the road are of flimsy construction and truck haulers are compelled to limit loads to the ability of the bridges to support the weight of the vehicle and the coal carried.

At Charlie Lake, the truckers reach Alaska Highway which is an excellent all weather gravel road. But the first sixty miles from the mines to Alaska Highway present problems which add greatly to the danger and costs of money of getting the coal to market.

All three operators in the district are limited as to capital and are practical miners who work with their hands in the mines. Capital for operating the mines was found in the Peace River country, farmers and ranchers contributing to the organization of one company.

Miners are recruited largely from the farming areas. Sales agencies have been established at Fort St. John.

It is not our desire^{to}/go into detail regarding the extent of the known coal reserves in the Peace River region nor to furnish an analysis of the coal found at the various points where prospecting or development has been carried on. We would refer the commission to the Geological Survey of Canada and the various reports of the B. C. Department of Mines

regarding Peace River coal reserves.

A voluminous report made in 1931 by the Government of B. C. in co-operation with Canadian National Railways and Canadian Pacific Railways, under the direction of C. R. Crysedale, contains fullest information upon all the natural resources of the area which would be served by a Peace-Pacific outlet, and more particularly coal.

Tests of Peace River coal were made by the Canadian Pacific Railway in 1923 and showed that 13.1 pounds of coal did the same work in a locomotive as 18.2 pounds of the high grade, low volatile bituminous coal from Canmore, Alberta. Tests made this year by Northern Alberta Railways show that coal now being mined is an improvement upon that formerly tested for locomotive use and as a result contracts were made early in 1949 with the Peace River mines for daily delivery at the railway yards at Dawson Creek to Northern Alberta Railways.

The importance of the Peace River coal to the economy of Canada, should a rail service be constructed to connect the coal fields with existing railways in western Canada, may be estimated from current purchases of coal by Canada in the United States.

Canada bought with United States dollars coal to the value of \$203,415,929 last year from United States Coal Companies.

CHAPTER IV

ALASKA HIGHWAY AND ITS IMPACT
UPON THE WILDERNESS OF THE NORTH

Construction of Alaska Highway from the present end of steel at Dawson Creek to Fairbanks, Alaska, has greatly stimulated settlement throughout its length and development of basic industries. Though established as a defence project, the highway remains to serve a great peace-time need.

Alaska Highway has opened a vast tourist attraction which draws increasing numbers of visitors, especially big game hunters, explorers, naturalists, mountaineers, artists and generally those well able to pay generously for the opportunity of enjoying a holiday in such a new and romantic region.

Alaska Highway has also made possible industrial development. New mines and mineral prospects have been opened as a result of the service offered by the highway at intervals.

The Highway has aided exploration for oil and gas, and outfits are at present engaged on geophysical work over the 500 miles of the road from the Peace River bridge north.

Natural gas has been found at Mile 238. At Fort Nelson, near mile 300, natural gas has been found in which traces of the valuable helium gas are contained.

Several large gas wells have been drilled at Rolla, British Columbia, near Dawson Creek. Drilling for oil and gas continues near the Highway between Dawson Creek and Fort St. John. The company owning the wells at Rolla plans to pipe the gas to Vancouver and Seattle.

Philips Petroleum Corporation have taken large leases of land adjoining the highway as have other

10. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

11. 11. 1918. 11. 11. 1918.

syndicates of oil companies which include the largest operators.

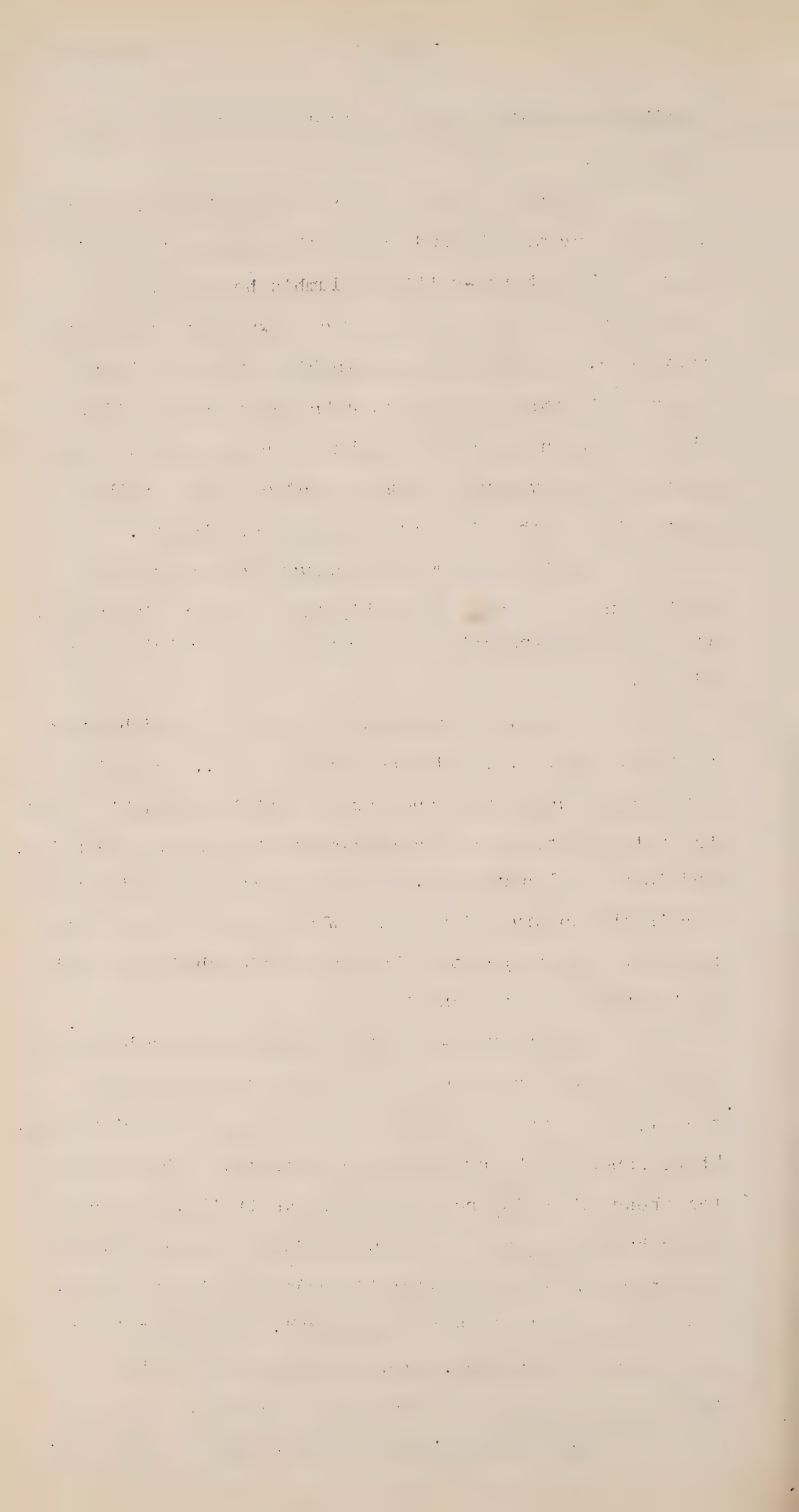
From about Mile 70 on Alaska Highway, eastward 100 miles or more beyond the 120th Meridian to a point east of the Alberta-British Columbia boundary, land seekers have filed on unsurveyed Crown lands during the past year. Access to the townships which are being taken up is through Fort St. John on the north side, or through Dawson Creek and Clayhurst on the south. Some settlers come westward from the end of steel on the north side of the river at Hines Creek, Alberta.

Families from Saskatchewan are among those filing on new areas in Township 88. In some instances, they are from the dried out areas in the prairie provinces.

Every week thousands of acres of land between Fort St. John, B.C. and Hines Creek, Alta., are being applied for under the land laws of British Columbia. It is customary to place advertisements in the B. C. Gazette, and in a local newspaper, for each parcel of land applied for in the unsurveyed areas. Whole pages of such land notices, closely printed, have been published during the past month or so by land seekers.

Looking westward from the Peace River bridge on Alaska Highway, between the Peace River and the Pine River, are areas of vacant lands suitable for agriculture. These lands are being sought by settlers. They move in far ahead of roads and make their own trails, and in some cases have no means of getting produce to market save by pack horses. Alfalfa seed is successful in this area, and acreage of it is being increased. The seed is an easy crop to transport, brings ready cash, and the threshed-out alfalfa is fed to beef animals.

From Alaska Highway points, such as Tucker Inn



at Mile 147, settlers go westward into the Halfway River country to engage in farming and stock ranching. Applications for land, published in Alaska Highway News at Fort St. John, show that thousands of acres of country have been staked in the past few months in this foothills area, all of which must be at least 150 miles from the railway.

Settlers are going into land east of Alaska Highway, from the station at Blueberry, Mile 101.

At Mile 300 are the headwaters of the Musque River, and traders, trappers and miners take off from there by boat, upon a river system which leads them into the Liard River, and the MacKenzie, and gives them access to the oil fields at Fort Norman, the gold camp at Yellowknife, or the uranium mines at Great Bear Lake. Many proceed on to the Arctic, and regular shipments of freight go from Fort Nelson to traders at Aklavik, NWT, and points out in the Beaufort Sea.

Impact of Alaska Highway on the Wilderness has brought into being a Dominion Experimental Station at Mile 1020, where J. W. Abbott is proving that grains, grasses, and vegetables can be successfully grown at that point in the Yukon Territory. At Mile 1022, at Mackintosh Ranch, tons of potatoes have been successfully grown each year, for many years, and have been sold at Whitehorse and elsewhere.

Daily buses travel on Alaska Highway, and regular mail services are provided. There is a fairly heavy traffic over the road by day and night. Commercial trucks haul goods from Dawson Creek, B.C. Some through trucks are operated by United States truckers, in bond, from Great Falls, Mont., Seattle, Wash., and other points in the United States.

Maintenance of the Highway is carried on by the Canadian Army, and in current estimates in the House of Commons, an annual sum, in excess of \$1,000,000, is voted for that purpose.

At least 100 hotels and stopping places have been established, and are now operating along Alaska Highway. For most of these, the nearest rail point for freight and passengers is Dawson Creek, B.C.

In the vicinity of each stopping place on Alaska Highway is the nucleus of a new settlement. Opening of stopping place at once draws the inevitable garage and gas station, a small store, possibly a post office. Church organizations set up outposts. The place becomes a starting point for those seeking opportunities in the surrounding country.

Here is a region unique in the transportation world. It is served wholly by trucks, or motor buses, and aircraft. North of Dawson Creek, for 900 miles, an economy has evolved which knows no railway. North of Dawson Creek are many young people of voting age, born in the country, who have never heard a locomotive whistle, or viewed a train of cars, save in a moving picture film.

CHAPTER V

IMMIGRATION: CANADA'S OPPORTUNITY AVAILABLE HOMESITES FOR SETTLERS

There is no part of the world which, given proper transportation facilities, has as much to offer intending settlers as the Peace River country.

Settlement for the past ten years has been largely from Alberta and Saskatchewan with some arrivals from the mid-west of the United States.

A settlement of Sudetens at Tupper Creek in 1939 upon lands which were not considered to be of first class quality has turned out very successively. One hundred or more families reached Tupper Creek driven out of their ancestral homes by the Nazis. Few of these people upon arrival could speak English. To-day they have transformed a wilderness into a place of prosperous homes and farms. They supply much of the dairy products for nearby towns. They have built churches and community halls. The British Columbia Department of Education has aided in constructing schools. It is the opinion of experts in colonization, recently expressed at Ottawa at a study committee on immigration set up at the House of Commons under the chairmanship of Ralph Maybank, M.P. (Winnipeg South Centre), that the Sudeten settlement at Tupper Creek has been a success.

Opportunity for establishing many such communities exist within the Peace River Block proper and the adjoining areas on both the British Columbia and Alberta side.

Few of the successful settlers in older established Peace River communities brought much capital

with them into the country. In most instances they built their own homes out of the bush, and in scores of cases made and used, until very recent times, their own furniture. The result is that there is a foundation stock of solid Canadian citizens in the Peace River country of the highest quality physically and spiritually. The people there established, who have survived many hardships, are themselves the best advertisement for the country and its possibilities.

The Canadian Chamber of Commerce, at an annual convention at Montreal, October 25th, 26th and 27th, 1949, drew attention by resolution to the importance of a long range immigration policy for Canada. That resolution, while expressing the considered opinion of members of the 641 Boards of Trade and Chambers of Commerce in Canada, has a special application to the Peace River country.

The Canadian Chamber of Commerce resolution was in part as follows:

"The Chamber is in full accord with the policy of carefully selecting immigrants, with a view to securing good potential citizens in numbers that will readily find opportunities for earning a livelihood here and eliminating those known to be anti-democratic in their political views. Canada's growing stature in world affairs -- with its corollary of a growing responsibility to help in the solution of world problems -- means that we must assist those who would welcome an opportunity to live, work and prosper in this country. Commercial and financial institutions in Canada are able to absorb a continuing flow of young and promising men. Canada was originally developed by the hard work, skill

and initiative of immigrants and her continued growth will be speeded by bringing in people for general work as well as for technical and skilled occupations. The Chamber believes that the country's economy is capable of supporting a larger population; in fact, an increasing population is a contributing factor to the fullest possible development of our great natural resources and of our high standard of living. We have, in addition, governmental machinery capable of servicing a greatly increased population. Finally, the Chamber agrees with the Federal government's statement that, in a world of shrinking distances and international insecurity, we must recognize the danger when a small population attempts to preserve for itself so rich an area."

The need of transportation facilities to develop the natural resources of Canada and some new settlements was emphasized when the Canadian Chamber of Commerce at this convention brought in a resolution urging the importance to the nation of the natural resources, especially Forestry, Fishing, Fish and Game, Oil and Minerals.

The paragraph which has especial importance to the Peace River country is the concluding one of the Canadian Chamber of Commerce resolution:

"Canada's mineral exports constitute a very large portion of our total exports. As a means to increasing our dollar earnings, every encouragement should be given to enlarging these exports. The Chamber recognizes in the development of Canada's vast mineral resources

and her potentially rich reservoirs of oil, a source of new wealth which can bring rich rewards to all her citizens. TO ASSIST IN THE DEVELOPMENT OF THESE RESOURCES, PROVISION SHOULD BE MADE TO PROVIDE ADEQUATE TRANSPORTATION FACILITIES."

CHAPTER VI

SPECIAL COMMITTEE

on

RECONSTRUCTION AND RE-ESTABLISHMENT

Recommendation that Peace -
Pacific Rail outlet be built
as major post-war project.

The appeal we now make to the Royal Commission on Transportation to recommend to the Parliament of Canada construction of a rail outlet from the Peace River Valley of Alberta and British Columbia is partly based upon the report of a special committee on Reconstruction and Re-establishment, presented to the House of Commons in 1944. This committee, of which the Hon. J. G. Turgeon, now a member of Senate of Canada, was chairman, reviewed the industrial position of Canada, while the country was yet at war, and sought to present a programme for the post-war period of essential projects which would employ large numbers of men and create new sources of wealth and opportunity throughout the nation. The report of the Committee on Reconstruction and Re-establishment is of particular interest to the people of the Peace River country because Mr. Turgeon, its chairman, was at that time a Member of the House of Commons for Cariboo, a riding which is very large and includes the British Columbia section of the Peace River Valley.

The Committee of Reconstruction and Re-establishment in part made the following recommendations:

"Your Committee feel that it is well within the power of Governments and Industry to maintain full employment for all Canadians during the period of transition from war to peace time activities.

"We urge:

1. That in all works carried out in preparation for, and during this period, and financed in whole or in part, directly or indirectly, by the Federal Government preference be given to members of the Armed Forces and the Merchant Navy, subject to possession of necessary qualifications.

2. That whenever possible such preference be extended so as to include industries from which materials and supplies are produced for use in such works.

3. That wherever possible, such preference be granted by the Employment Service of Canada.

"Your Committee has given a great deal of thought to the economic situation of the Maritime Provinces.

"We recommend that in co-operation with these Provincial Governments, the Federal Government undertake a survey or study of conditions, with the object of advising and helping in the taking of any steps that will bring about an improvement in the economic life of the people of those Provinces. This improvement can be brought about in part through a proper development of the fishing industry; through assistance to the farming community, by the application of the provisions of the Prairie Farm Rehabilitation Act, by the installation of rural electrification, and the extension of cold storage facilities; through proper forest conservation and extended utilization of forest products; through the introduction of additional secondary industry, where the operation of such industry is economically sound, by reason of proper markets and of primary production within the Maritime Provinces or in neighbouring lands, such as Newfoundland.

"This inquiry should include the extent, if any, to which the Maritimes have suffered because of lack of

proper distribution of secondary industry in Canada, and also the possibility of securing extended markets - both Canadian and international - for all Maritime production.

"We are convinced that after the war - if pre-war conditions are permitted to prevail - the Nova Scotia coal industry will not be able to exist without assistance in the marketing of the output of the mines. The coal industry situation would, therefore, be an important part of the proposed survey.

"After the war, transportation will play an even more important part than previously in economic development.

Therefore in dealing with conditions in the Maritime Provinces, we strongly urge that the Government give earnest consideration to certain proposed improvements in transportation facilities. These include:

- (a) Improvements designed to make communications between Prince Edward Island and the Mainland constant, reliable and adequate.
- (b) Improvements of transportation across the Straits of Canso by the construction of a causeway, or in such manner as may be judged most satisfactory, considering the amount of traffic and the conditions of ice, tides and current.
- (c) Re-grading, re-aligning and double tracking of the Canadian National Railway from Sydney to points in Nova Scotia and New Brunswick.

"Your Committee has had a great deal of evidence and some discussion concerning transportation in Canada generally. There are some features of this problem upon which we are not yet ready to report, such as the disputes between the Railways and the Bus and Trucking companies, and the question of freight rates, which is made vitally important by the distance both of many farming communities

and of much of our secondary industry from the domestic markets and from our seaboard. We are prepared, however, to make the following concrete recommendations:

1. That as soon as possible after the war, a first-class permanent, all-season highway be constructed right across Canada.
2. That at various points and in every Province this All-Canada Highway be connected by good roads with the United States highway system, and that for the purpose of promoting tourist traffic the All-Canada Highway and the United States Highway System be connected with all National and Provincial parks.
3. That the Alaska Highway be connected with the All-Canada highway by good roads across the Prairie Provinces, and with the Pacific Coast by a good road across the mountains in north-central British Columbia.
4. That Northern Alberta and Northern British Columbia be connected by highway with the Fort Norman oil-field and the mineral areas of the Far North.
5. That when the war is over there should be a resumption of the Federal-Provincial arrangements which brought about construction of roads in mineral areas, and that the enabling legislation be extended so as to permit this co-operation to become effective in areas where the proper utilization of any of our natural resources would be advanced by road construction.
6. That the Peace River country of British Columbia and Alberta be given direct railway connection with the Pacific Coast at the earliest possible moment. This railway connection is essential to the proper economic development of

British Columbia and Alberta; without it, Canada as a nation will lose a great part of the value of the coming exploration and development of the north-west portion of Canada, opened up by military air routes and the Alaska Highway.

"We recommend that an agricultural, industrial, mineral and transportation survey be made of the north-western portion of Canada, to prepare properly for that country's development, which has been pushed forward by Canadian-United States activities in the war against Japan; and that this survey be made jointly by the Federal Government, the Provincial Governments concerned, and the two great railway companies.

"We recommend further that a similar survey be made of all the northern portions of Canada, for the reason that the making of a true national economy demands the utilization of the resources of all our northland.

"Your Committee is particularly concerned with the position of agriculture in the post-war world. Many thousands of those in the Armed Forces and in war industry are from the farms; many wish to return to agricultural life. The Veterans Land Act is a preparation of the way and a distinct encouragement. But very much must be done for agriculture itself if we are to make the land a proper place for war-weary veterans to spend the balance of ^{their} lives."

"Those improvements in transportation facilities recommended for the Maritime Provinces given under subsections (a), (b) and (c) have all been accepted by parliament.

With respect to the "concrete recommendations" which were six in number, presented by the Committee on Reconstruction and Re-establishment, action has been taken as follows:

1. This is now before parliament and legislation is likely to be brought down in the 1949-50 session for construction of the Trans-Canada Highway.

2. This general policy is being adopted.

3. Road via Pine Pass being completed by British Columbia Government and Alberta Government is working on a programme to link their highway system with Alaska Highway. The road to Atlin from Alaska Highway is nearing completion.

4. Road has been completed to Great Slave Lake and extension north and east planned for 1950.

5. Subject revived in parliament October 5th, 1949, when Mr. McIvor (Fort William) directed attention to aid for prospectors, Page 538, Hansard, and was supported by Mr. Simmons (Yukon-McKenzie River), Page 541, and Mr. Murray (Cariboo), Page 543.

The Government of Canada has already carried out many of the recommendations of the Committee of Reconstruction and Re-establishment. Where it has not yet acted, government policy has been favourably indicated with respect to all policies laid down by the committee.

In British Columbia and Alberta the policy pertaining to a rail outlet for the Peace River country received the highest commendation. The Committee's findings no doubt influenced the British Columbia Government in its decision to press on with completion of the Pacific Great Eastern Railway from Quesnel to Prince George where it will connect with Canadian National Railways. That work is under way and will be completed by the end of 1950.

The Hon. Lionel Chevrier, Minister of Transport, stated that in the session of 1949 he would bring in a bill to bonus the British Columbia Railway in the sum of \$15,000 a mile.

We respectfully submit that construction of a railway from Prince George, B.C. to Hines Creek, Alta. would be for the general benefit of Canada and that the recommendation of the Committee of Reconstruction and Re-establishment should be fully implemented. And we respectfully ask that this Royal Commission recommend to the parliament of Canada that Paragraph (6) be the basis of legislation to be introduced at the earliest possible date for the relief of the people of the Peace River country.

Paragraph (6) of the recommendations of the Committee on Reconstruction and Re-establishment ---

"That the Peace River country of British Columbia and Alberta be given direct railway connection with the Pacific Coast at the earliest possible moment. This railway connection is essential to the proper economic development of British Columbia and Alberta; without it Canada as a nation will lose a great part of the value of the coming exploration and development of the northwest portion of Canada opened up by military air routes and the Alaska Highway."

Bibliography:

"Canada's New Northwest"
by North Pacific Planning Project,
Department of Mines and Resources, Ottawa.

Reference Maps;

Electoral District of Cariboo, British Columbia
Electoral District of Peace River, Alberta
British Columbia Department of Lands, Peace River.

- - - - -

(Page 7870 follows)

THE WITNESS: In preparing this brief we really have revived a recommendation made by a Committee of the House of Commons in outlining plans for rehabilitation and reestablishment, which committee was headed by the honourable Senator who has just spoken. We are reviving that point of view and also presenting certain other information. Before I deal with the brief I should like to direct your attention, Mr. Chairman, to a resolution in the House of Commons this week regarding the appropriation by the Government of Canada of a million and a quarter dollars subsidy for a railway owned by the Government of British Columbia and being completed from Quesnel to Prince George. I should like to draw attention to that and also to give the Commission the Hansard report dealing with the discussions in the House of Commons indicating that all parties in the House were solidly behind the plan for the granting by the Government of Canada of a subsidy for the completion of that railway. I refer to the Pacific Great Eastern Railway, a railway which no doubt ultimately would serve this area. However, the brief was prepared before that subvention was granted. Times move on, and so many things happen that the situation changes. However, I will briefly go over the document as I have it.

In the introduction to the brief we merely point out that settlement in that area has preceded the railways. Formerly the plan in Western Canada was to build railways before settlement. For the purpose of developing settlement and the industrial development of the country large groups of people have gone in far ahead of the railways. The fact that they were promised transportation facilities has been brought out by Senator Turgeon. We have these groups in Alberta and British

Columbia who now, of course, feel that they are discriminated against, and that railway facilities should be provided for them.

They point out that in both Canada and the United States the building and maintenance of turnpikes, roads and canals, and such transportation facilities, was regarded as a governmental responsibility. With the introduction of steam locomotives, government assistance was at once placed behind the railways throughout the United States and certainly throughout Canada. We feel in our communities up there we are being denied services which were quite readily granted in Quebec, Ontario and Manitoba, and the older parts of Canada, and services for which certainly grants of land and of cash were provided by the government of the United States in the development of the western part of this continent. We point out that grants of land and substantial sums of money were given the early transcontinental roads in this country, that the two great transcontinental roads we have now have become very efficient and have rendered great service, but that they could not have done so if the governments of Canada and of the provinces had not, in earlier times, contributed towards the establishment of these lines and their extension for the purpose of serving new settlements, developing industry, and possibly also for the defence of Canada.

Certainly in the neighbouring republic the question of defence entered into the extension of railways to the Pacific coast and into the northwestern regions of that republic. Therefore we feel that the question of defence enters into the discussion with respect to the Peace River country and its development. We are developing Canada at depth, a matter of national importance

since some of the settlements which we have referred to are probably one thousand miles north of the forty-ninth parallel.

There is a limited railway service already available in the Peace River country provided by the Northern Alberta Railways owned jointly by the Canadian Pacific and the Canadian National. As Senator Turgeon has said, we would seek to have the lines of the Northern Alberta Railways extended from Hines Creek westward to new settlements already having a large tonnage of freight, and from Dawson Creek westward to other new settlements which already provide large tonnages of freight, to communities where the sole transportation medium to-day is the motor truck so far as the movement of freight is concerned, and the motor bus so far as the transportation of passengers, together with aircraft. These communities in British Columbia are cut off, of course, from communication with the great centres of British Columbia, the Rocky Mountains intervening there, so that in our natural contacts with Vancouver and the capital of British Columbia, Victoria, we are compelled to go around by way of Edmonton and Calgary, a very circuitous route, in order to get to our natural markets at the coast, or to make the usual contacts with other parts of the province.

Ultimately the railway from Prince George through the Peace River Valley into these farming communities would provide a short route to the Pacific coast, and would greatly reduce the present freight charges, and make it possible to colonize and develop these valleys up in the north. Such colonization and development would not be a matter of hazard and of experiment because we have shown that these settlements, many of them having

been there for thirty years or more far removed from the railways, have nevertheless developed into prosperous communities despite many handicaps which they face as a result of lack of railway service.

COMMISSIONER INNIS: Q.. There is no evidence as to exactly where the route would go on these maps. Is that right?

A. Many surveys have been made of that region, and there are alternate routes suggested, and I do not propose to suggest any one route.

Q. That is deliberately omitted?

A. I think it is properly a matter for the railways themselves, and for competent engineers. There are several passes which have been discussed.

MR. COVERT: Mr. Chairman, since reference has been made to the maps I think perhaps we had better file them as exhibits. Perhaps we had better call the large map of the Peace River, Department of Mines, British Columbia, the one that gives a scale of four miles to the inch, Exhibit 111.

THE CHAIRMAN: You mean this one, the larger?

MR. COVERT: That is right.

THE CHAIRMAN: This will be Exhibit 111?

MR. COVERT: 111.

THE CHAIRMAN: Which one is 111?

MR. COVERT: The large map with the scale of four miles to the inch.

THE CHAIRMAN: Then the smaller one is 112?

MR. COVERT: Then there are two smaller ones. One is entitled "Jasper-Edson."

THE CHAIRMAN: I have one marked "Cariboo" and one marked "Peace River."

MR. COVERT: The one marked "Cariboo," Mr.

Chairman, will be 112.

MR. O'DONNELL: It is the electoral district of Cariboo.

MR. COVERT: Yes. The one marked the electoral district of Peace River will be 113. Have you those maps, Mr. Chairman?

THE CHAIRMAN: Yes, I have them.

EXHIBIT NO. 111 -- Map of Peace River District,
Scale 4 miles to the inch.

EXHIBIT NO. 112 -- Map of Electoral District
of Cariboo.

EXHIBIT NO. 113 -- Map of Electoral District
of Peace River.

MR. COVERT: You may go on. I am sorry I had to interrupt you.

THE WITNESS: In filing the map of the Electoral District of Peace River I had in mind merely showing the population which already existed there. I procured that map from Mr. Solon Low who has expressed a very keen interest in this subject. The one of Cariboo electoral division also indicates the population there. The large map shows pre-emptions and homesteads which have already been taken up in the Peace River block. It is not up to date, but it is the latest map which was available at the Department of Mines at Victoria. An up to date map would show that the lands either homesteaded or pre-empted or purchased are much larger in number. It would show the number of blocks taken up is much greater than is now indicated on the map we have here.

In addition to the immediate Peace River country, we feel that, should rail lines be extended through the present agricultural districts, later their other lines might be extended north, since it brings us within reasonable distance of Fort Nelson River, the Liard River and generally the country there, which possesses large resources of oil, and ultimately such railway extension might be of consideration in the development of the uranium resources of the north, since it is possible that the Mackenzie River Valley might in the years to come be served by such a railway system.

I have not referred to the mining development of the southern part of that area, but there is very extensive mining development north. On the Mackenzie River a very large copper development is at the present time under way at a place called Pine Point, and that should be considered possibly later in discussing any transportation services for that part of the country.

COMMISSIONER INNIS: Q. Where is Pine Point? Is that below Simpson ?

A. Below Simpson on the Mackenzie River. I have not the map before me, but it would be this way from the confluence of the Liard and the Mackenzie.

Now, your lordship probably does not wish to go into a discussion of the military side of this question, but it certainly is pertinent at this time. During the war we saw many Russian aviators at our airports on the northwest staging route, beginning at Edmonton and continuing to Grande Prairie, Fort St. John, Fort Nelson, White Horse and on to Fairbanks. They came from the U.S.S.R. to take back fighter aircraft supplied by factories on this continent. So we feel up in that part of North America that we are

very close to the U.S.S.R., we are close of course to Asia, and are probably the frontier of America with respect to any international complications that might develop.

We feel, with regard to the expanses of arable land, large open valleys, which are there, if they remain unsettled and undeveloped and unserved by rail transportation, that it is not in the national interests and certainly not in the interest of good will among nations, in some of which people are very cramped and crowded and seek more land upon which to grow food, that they should remain unoccupied. It might very well be said that Canada could afford to open these valleys to settlement by our own people and also by worthy people from other nations. Such a colonization could be carried on only if rail services are provided to that part of this nation.

An added defence of the northwest is bound to be a busy and prosperous citizenry north of Edmonton. That is to say, we saw during the war the great cost of hauling food and supplies from the midwest, from the heart of America, to Alaska over the Alaska Highway, and it was borne in upon us that the production of food right in those valleys would be good not only in the peacetime economy but of very vital importance in the event of war.

We are suggesting that the extension of those rail lines, even if only a small portion were done each year, might be carried out by the Northern Alberta Railways, owned as they are by the two great national transcontinental railways, and that extension would of course be profitable to them, because there already exist there large communities waiting to be served and with a large tonnage, as I have said; and, as I should like to repeat, they are ready for the railways whenever they extend into those valleys.

In chapter 1 of this submission we point out the

precarious position of British Columbia in regard to food supply. It is a great province, wealthy in so many things, yet able at the present time to supply only about one half of the farm products which are consumed in the province. Of course, they are imported from Alberta and other parts of Canada, but in other days we in British Columbia imported most of our butter from New Zealand and certain meat products from Australia and from New Zealand. We have a great province there, and our security would be just that much greater if we provided ourselves with the food needed for the support of our people. We say that the extending of a rail outlet to this country would enable greater supplies of locally grown food to go into the markets of Vancouver, Victoria and the other cities on the coast. That is of tremendous peacetime importance, and certainly in the event of any trouble in the Pacific it would be well that our local communities should have their own supplies of food and not be obliged to have it shipped from the ends of the earth to that point.

The railway which has already been provided for to Prince George would serve the great Cariboo District, that is, the livestock district of Cariboo, and even that extension now to Prince George will be very valuable, since it will permit of the shipment of goods and supplies from Edmonton. It is still the long way round, but supplies of cheap grains, for instance, for the stock country there would be of great importance. They shipped out of the Cariboo last year 30,000 head of beef cattle. Now, the beef industry there is handicapped, because it is a grass industry; there is not enough grain and fodder grown in the country to maintain those herds over the winter, so that when the grass is over the herds must be slaughtered and sent on to market. In the event of being able to get this

cheap grain in from the Peace River Valley and from the north, they would then be able probably to double the live-stock industry of the Cariboo country, and by so doing would make British Columbia self-sufficient in respect of the supply of beef. That I think is a matter of great importance, and of course I think will add to the prospects of profitable operation of a railway out of the Peace River country to the Pacific.

Statistics could be provided with respect to the present production in the Peace River country of cattle and so forth, and that is set out in this brief; I do not propose to go into it in detail here. Mr. McArthur, the head of the Northern Alberta Railways, figures that the area which we believe will be served by a Peace River-Pacific outlet yielded this year 25 million bushels of grain. Now, as the Senator said, when Sir Henry Thornton was active at the head of the Canadian National Railways, a statement was made by him that when 10 million bushels of grain were produced up there, that would be justification for extending the steel into those communities. We now have many times that amount being produced, and upon the wide publicity given the statement of Sir Henry Thornton and other leaders at that time, settlement came in and people went in far removed from the head of steel, and they are still there, and they are hauling their grain in some cases well above a hundred miles; the average haul would be sixty miles, for those portions already settled north of the river. People apparently like to go out into distant places, and they certainly go where the land is good. That new land and those new valleys produce very good crops. The average this year in the Peace River country -- that is, in the northern part of the Peace River country -- would be very high as compared with that in any other part of America. This was an unusual year, but every

year finds a per-acre yield up there which of course attracts farmers and settlers into the country.

Now, I have set out in the brief here the possible arable land in that region which would be served by a railway. These figures are from the Department of Mines and Resources here in Ottawa, and I will not read them off; it runs into millions of acres. The Finlay and Parsnip River Valley and so forth, and other valleys, are well known to the Departments here at Ottawa, to the Department of Agriculture at Victoria, and to others who have studied this subject. We refer to a publication issued by the Department of Mines and Resources, "Canada's New Northwest", and we quote from it a paragraph stating that if the arable lands unsettled in the northern Pacific region -- that would include the Peace River country and the other valleys near there, and also some country on the coast -- if that north Pacific region were fully developed, between 265,000 and 282,000 would be a reasonable forecast of the population that might be expected normally to settle in the region.

We point out that, with a great backlog of agricultural land, natural resources in the way of minerals, forest resources and fisheries, this is the time when a serious effort should be made toward extending our lines of transportation into that northern region, thus taking the pressure off the great centres of population. We would point out that the building up of cities in Canada has been carried on to a point where we are massing population in these great centres such as Montreal, Toronto, Winnipeg and Vancouver, and most of the time of the House of Commons last week had to do with discussion of matters of housing, rent controls, great problems which are born out of these great cities which are being developed; and it is our belief that more attention should be paid to rural Canada,

and that the opening of these valleys and the encouraging of our young people to go into these valley communities would take the pressure off these great centres of population and would add greatly to the production and wealth of our country, and, more important than that, to the peace and goodwill among the people of Canada.

(Page 7886 follows)

Now, I have here in Chapter II the softwood resources of that area. These again are set out in the book from which I have quoted "The New Northwest". Beginning at Prince George we enter a forestal region along the upper Finlay and those other rivers which converge at Finlay Forks - a vast area of softwoods, an area in which there is ample water power, great coal resources and every indication also of supplies of natural gas and of petroleum. But we would say that the softwood resources there (and they are listed on page 16 here) is pretty ample proof of the opportunity for the investment of money and the development of industries there along the lines of plywood, lumber in all its departments, and more particularly of pulp and paper. These figures may be studied and I do not propose to go over them now. It may be said that in the Prince George forest area at the present, - and many of these would be north of the Canadian National Railways and in this area towards the Peace - are several hundred small sawmills which operate and send their lumber out to the Canadian National points between Jasper and Prince Rupert.

Now, Chapter III relates to the coal resources of the Peace River and I have been told by some experts unless we step rapidly forward with the transportation development, that our coal resources there will not be as valuable as they were when Sir Henry Thornton was President of the Canadian National Railways, and when coal played such a pre-eminent part in the economy of Western Canada. But the known resources of coal there are very extensive. The value of this coal in locomotives and so forth has been proved by repeated tests.

There are three mines operating now in the Hudson-Hope Area operated by men who are prospectors or farmers

who have very little capital to go on with their work, who have built their tipples and so on with their own broad axes and saws. They have found workers among farmers and settlers and they are now hauling that coal by truck. They haul coal 120 miles to the Northern Alberta Railways at Dawson Creek for use on the boilers of the locomotives on the Northern Alberta Railways, and you have the fantastic example in 1949 of men with hand shovels shovelling coal off a truck at a railway terminal - coal to be used under the locomotives. The value of it in heat units, and so on, is quite well pointed out; otherwise, the Northern Alberta Railways would not have given them a contract for all they could haul out to that point. Now should a rail line be extended into the Hudson-Hope Area, those free lines and many others possibly would be at once ready to load coal cars to supply the markets of Vancouver, Seattle, or between-points or probably to ship coal as far as Edmonton and to other points further East.

Now the Alaska Highway is dealt with in Chapter 1V and that is an entirely new reason for the construction of this railway, at least new in relation to claims set forth to official bodies such as this in years gone by.

The Alaska Highway, as you know, extends from Dawson Creek 1500 miles north to Fairbanks, Alaska, and there are on the Highway more than 100 stopping places at the present time where tourists and others travelling on the Highway may find service. These are hotels, lodges, and the like, where gasoline is available and where garages are available, and there is a continuous traffic on the Highway in both winter and summer. Much of the freight passing over the Highway originates in the United States and is hauled by truck from places like Great Falls, Montana,

and Seattle, Washington, to Fairbanks, Alaska. There are at least two truck lines which go through, the American goods being in bond, and they move on a regular schedule throughout the length of that Highway.

The Highway, which was built as a war measure, turns out to be of tremendous importance as a peace time service to that country; it has opened it up throughout. Now, mining industries have sprung up along the Highway and prospectors have come in, sawmills have opened up, tourists resorts have been established and settlements have come into existence. For instance at Fort Nelson, three hundred miles up the Highway, there has developed a very sizeable town. Fort Nelson is a point from which shipping may be carried on down to the Arctic towns of the MacKenzie and the Liard Rivers. It is a place which is growing. Gas has been found along the Highway. At Mile 238 a gas well exists. At Fort Nelson, near Mile 300, natural gas has been found, I think traces of valuable helium gas are contained. Coal has been found on the Seguenay River. Iron ore has been found in certain areas. I would not say it has been found in commercial quantities. That is all so technical, that iron ore would have to be found near coal and other facilities for developing it, but it has been found in there. Gold is found at various points and the base metals in the territory served by the Alaska Highway.

Well, you have on the Alaska Highway an economy dependent entirely upon motor trucks, motor buses and air craft, and it would seem to be in the interests of the railways to extend their lines so as to be able to service that region better with railway service.

Settlers are going in from the Highway in all directions. At about Mile 70 on the Alaska Highway eastward one hundred

miles or more beyond the 120th Meridian to a point east of the Alberta-British Columbia boundary, land seekers have filed on unsurveyed Crown Lands during the past year. Access to the township which are being taken up is through Fort St. John on the north side or through Dawson Creek and Clayherst on the south. Families from Saskatchewan are among those filing on new areas in Township 88. In some instances these are from the dried-out areas in the Prairie provinces, and I think it is worth while pointing out here that Canada would not need to worry much about these dried-out areas in the Prairie provinces if well-watered areas, fertile lands, were made available in this part of the country so that those people from Saskatchewan, many of whom are coming of their own volition might be encouraged by governmental authority to move up there and find new homesteads in some favourable area, all, of course dependent upon having some sort of transportation facilities provided other than that now available. The brief here points out the number of thousands of acres of land between Fort St. John and Hines Creek, Alberta, which have already been supplied under the new land laws of British Columbia. It is customary to place advertisements in local newspapers for every parcel of land must be advertised.

THE CHAIRMAN: Mr. Murray, what are these settlers along the Alaska Highway doing now?

A. Those who have gone into the Halfway River country far to the west are engaged in stock ranching - lumber and cattle. The country is very similar to that of the foothills of Alberta and many of them have come from Alberta. They have cattle and horses in the Halfway River Country and some of them are two hundred miles

from the railhead. Those to the east, towards Hines Creek, would engage mostly in farming.

Q. You mentioned families from Saskatchewan. What would they be doing?

A. They would be grain farming, with possibly a thought of growing seed. The production of alfalfa seed is a new industry which is going good there. It may be taken out cheaply and brings a good price so many are going into that line of farming. It would be grain farming in the Peace River block but towards the mountains I think that stock raising would be more the line to be followed.

Daily buses travel the Alaska Highway and these are operated out of White Horse, Yukon Territories, by the British Navigation Company and regular mail services are provided. Those trucks from the United States carry perishable goods generally, such as fresh fruit, and one line, I believe, is used in conveying beer from the United States to Alaska points. It comes, of course, in refrigerated trucks. The maintenance of the Highway is carried on by the Canadian Army, and in the House of Commons a sum in excess of \$1,000,000 is voted for maintenance. In the vicinity of each stopping place on the Alaska Highway is the nucleus of a new settlement, and as the years go on no doubt these present stopping places would develop into small villages.

Now as to the national interest in the question of immigration and settlement, in Chapter V I refer to a group of settlers from the Sudeten area who came into the Peace River Block in 1939 - refugees, victims of the Hitlerite movement in the Sudeten area. More than one hundred families reached Tucker Creek and through the agencies of the railways, and I suppose the assistance of

the Dominion Government, they were settled there. They were Germans, could not speak English, and many had all sorts of misgivings as to the success of this settlement, as to how it might turn out. They have been in there now ten years and it is the studied opinion of colonization experts that the settlement was a tremendous success. These people have taken on the ways of the country, schools have been built there, churches, they have cleared their land and built their homes, usually right out of the bush without any thought of any loan or assistance except the small sum which was granted them when they went on the land. They supply dairy products to the nearby communities and have turned the area which they have taken up into a very profitable and successful settlement, and we think that this is an example which could be very well studied and while it might not be in the public interest to have too many settlements of foreign people together, yet this Sudeten settlement stands out as a tremendous success, and there would be, of course, opportunity for a great many other such settlements in the area which I have referred to.

The Canadian Chamber of Commerce at a convention at Montreal just last week, passed a resolution dealing with the need of the country for immigration. Another resolution passed by the Chamber of Commerce had to do with the subject of transportation, not specifically, but they pointed out that to assist in the development of these resources, provision should be made to provide adequate transportation facilities. Now the Chamber of Commerce convention was attended by delegates from, I think, six hundred and twenty-one Boards of Trade and Chambers of Commerce throughout Canada, and after studying these subjects, very clearly they committed themselves in these

resolutions to, we would like to say, a support of the general plea which we now place before your lordship.

Now, in conclusion, we merely wish to repeat that we are carrying on the recommendations of a special committee on reconstruction and re-establishment set up by the House of Commons during the war period, and headed by the Senator who so kindly introduced me here, and we indicate in our brief some of the recommendations made by that committee. I won't read them over; they are quite numerous. The committee ^{was} attended by members of all parties of the House, who sought to lay down a sort of industrial charter, as it were, for the postwar period. Their great Number 1 recommendation was that an all-season Highway be constructed right across Canada and so on. They suggest in No. 2 "That the highway should be connected by good roads with the United States system" and so forth - No. 3 "That the Alaska Highway be connected with the All-Canada highway by good roads across the Prairie Provinces"; No. 4 "That Northern Alberta and Northern British Columbia should be connected by highway with Fort Norman oil fields and the mineral areas of the far north" and so on and so forth.

Now all those things have been already accepted by the Government of Canada or have already been carried out with the exception of paragraph 6 of the recommendation of that committee, "That the Peace River country of Alberta be given direct railway connection with the Pacific Coast at the earliest possible moment. This railway connection is essential to the proper economic development of British Columbia and Alberta; without it Canada as a nation will lose a great part of the value of the coming exploration and development of the northwest

opened up by military air routes and the Alaska Highway".

Now we merely wish to point out that all their other recommendations were carried and No. 6 was not carried out.

Q. Was any reason given for its not being carried out? Was there any controversy?

A. No, I think there is a general agreement that it should be carried out. All parties seemed to be in agreement that it would be in the general interest of the country but who is to take the first step in setting out a project of this kind, which is bound to cost a great deal of money?

Q. It is only the Government that can say that?

A. Well, we say in our brief that it is properly the responsibility of the Government of Canada to see that there should not be discrimination against those people now in that area in respect of transportation, and that in the broader picture the work should be carried on for the benefit of the nation.

MR. COVERT: Mr. Murray, I want to ask you a few questions but before I do so, Mr. Chairman, I want to make this announcement, that one of the exhibits to Mr. Murray's brief consists of a film of the Fort St. John District, and arrangements have been made to have a showing of the film for the Commissioners and other parties tomorrow evening, Thursday, November 10th at 8.30 in the evening, in the National Film Board screening room in the Sovereign Building, 71 Bank St. between Sparks and Queen. There is accommodation for 40 people there, so that council and others representing organizations and associations are invited to attend.

Now, Mr. Murray, in the introduction to your brief on page 6, you ask this Commission to recommend to

Parliament that an early start be made upon the construction of such railway extensions in the Peace River country of British Columbia and Alberta as will link the settled areas with the Northern Alberta Railway and with the Canadian National Railway at the points mentioned, and you ask that this undertaking be carried out jointly by the Canadian Pacific Railway and the Canadian National Railways under the British North America Act, Section 92 (10) (a).

Now what I wanted to ask you is - I gathered from the remaining part of your brief, where you took it chapter by chapter and showed the tremendous potentialities of the region in mining and from the point of view of agriculture and lumber and so on - you feel that this eventually will be a paying proposition. Is that correct?

A. Yes, there would be great tonnage already available there and it would be a natural place for investment in industry and developments.

Q. Have they made any estimates of cost at all as to what these extensions would cost?

A. That, of course, is in the field of the engineers. The cost, of course, to extend from Hines Creek, which is an open, flat country, would not be so great as in the mountain area.

Q. I was wondering if they had any rough estimates of mileage and probable cost. Do you know if that has been done?

A. Well, yes, there are reports upon that I think, and they should probably be placed before this Commission. However that goes into the wider field. In 1931 there was a very complete survey made of this whole problem by the Canadian National, Canadian Pacific, the Government of British Columbia and the Dominion Government, and the

report of that survey would contain about all the information as to terrain and as to the resources of the country, that could be got together in three great volumes.

(Page 7900 follows)

Q. My point was you are asking the Commission to make a recommendation. I suppose they should have pretty specific information before they do that?

A. Yes. Many surveys have been made. I am sure the railway men know that, and they have blueprints and exact information as to every foot of ground between Hines Creek, at any rate, and Prince George.

Q. Has it been estimated at all as to whether or not it would take quite a long period of time before the railways would pay their way?

A. I think it would be reasonable to say that if the rail line was extended from Hines Creek 100 miles, or at least to the Hudson's Hope area, there would be immediate revenue which should be very valuable and very profitable. Of course to say it will pay the day after the railway is opened is another matter, but all these facts are pretty well there, and I think an economist could go in and tell you in a very short time whether or not it would be profitable from the outset.

Q. There was one very interesting observation, Mr. Murray, in chapter 4 at the very end, page 23.

THE CHAIRMAN: What page?

MR. COVERT: 23, at the very end where he points out:

"North of Dawson Creek are many young people of voting age, born in the country, who have never heard a locomotive whistle, or viewed a train of cars, save in a moving picture film."

I think it is indicated previously this is unique in the transportation world. They are served now by bus and motor truck and aeroplane. That is your point, that they have no railways and have never seen a train. It might be suggested in view of some of the statements that have been made before this Commission that perhaps they are

lucky. Would you care to comment on that?

A. Well, some of their parents are very lucky when one hears of the extreme difficulties they are meeting with nowadays in the great centres of population.

Q. But you really feel that the railway is essential to the district?

A. I Unless we will assume that motor trucks supplant railways; we are dependent wholly on motor trucks on the north side of the Peace River, and if freight can be moved economically by motor trucks then of course we would not need a railway. Unfortunately for these bulk commodities like grain, lumber and coal, I do not see that the motor truck is an economic means of hauling long distances.

Q. I was wondering also if you had noticed that over a period of time the Northern Alberta Railways have suffered deficits?

A. Yes, that is stated, and one wonders if the Northern Alberta Railways cannot make it go with the tremendous volume of tonnage carried, it must be very difficult for other lines serving less prosperous communities.

Q. I was wondering if you had any view --

A. No, and I refuse to go into that question because the railway is owned jointly, and they are constantly renewing their lines. Maintenance and renewal must run into a huge sum of money, and I am sure they are likely paying for that out of their earnings. It is a very technical question. The rental of equipment and so on is something that is quite beyond my field, and I would not care to discuss it.

Q. Have people been in constant communication with the railways about the matter of the establishment of this

line?

A. You mean in regard to requesting?

Q. Yes?

A. Well, the war period, of course, set that all aside. There was a very keen feeling for railway development.

Q. Since the war period?

A. No, we are just now coming out of the war economy, and people did not ask for this at a time when there were so many other things pressing. The development of these airports up there, for instance, the airport at Fort St. John, is one of the largest in the northwest. It is a great air terminal. Surely one might consider the value of extending the railway into that region since it serves the whole northwestern country and Alaska, and so forth, Yellowknife and Fort Norman, and so on. Of course, freight would have to be hauled only 50 miles from the present head of steel, but it would be a new reason, the tremendous business handled by the northwest staging route and the amount of freight and passengers which come and go.

Q. I suppose the suggestion really means that the railway be built by both the C.P.R. and the C.N.R. Is that correct?

A. Well, the Northern Alberta Railways is well operated, and it gives very nice service to the people. The people are quite pleased with the manner of its operation.

Q. Your suggestion is that this railway would be operated jointly by the two of them. I suppose you would suggest if it was operated at a deficit it would be subsidized by the government. Is that correct?

A. That is true. I think it should be on all fours with the other railroads in Canada.

THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST

BY JOHN BURNET

IN TWO VOLUMES

THE SECOND VOLUME

BY JOHN BURNET

IN TWO VOLUMES

THE SECOND VOLUME

BY JOHN BURNET

IN TWO VOLUMES

THE SECOND VOLUME

BY JOHN BURNET

IN TWO VOLUMES

THE SECOND VOLUME

BY JOHN BURNET

IN TWO VOLUMES

Q. Now, I was wondering if you had seen an item in the Ottawa Evening Citizen of November 5th under the heading, "Northern Empire Foreseen, Population of 11,000,000."

A. Yes, I saw that.

Q. It seemed to me to be quite a coincidence that it came just at this time. It is a report from Washington, and I notice in one part of it they say:

" The development of these lands, necessary in the broad national interests of the two countries, depends substantially....on transportation and some move looking to co-operative action in this direction seems needed."

They refer to a report that a railway line to Alaska was surveyed during the war through the Rocky Mountain trench, and go on to say that the report --

" --remarks that 'this route provided easy gradients and a straight alignment with few natural obstructions, from a junction with the Canadian National Railways at Prince George, to Alaska.' A new survey of this routed was authorized during the last session of Congress."

The northern empire to which they refer, as I understand it, is the area covered by the northern part of British Columbia, the Yukon and Alaska. In other words, they are talking about substantially the same area that you refer to plus Alaska. Is that right - or further north?

A. I knew there was such a discussion on with respect to an Alaska Railway which would no doubt extend from Prince George to Alaska by what is known as the trench, the Rocky Mountain trench.

THE CHAIRMAN: Q. Known as what?

A. The Rocky Mountain trench. That would be far to

the west but not so far that it would not be helpful in that we probably could contact such a system at Findlay Forks. I assure you there is no relation between our appearance here today and the dispatch you have read from Washington.

Q. I was not suggesting that.

A. We are quite energetic and we have lots of friends but they do not extend quite so far afield.

Q. What I was really trying to find out was about producing a population of 11,000,000 in that region.

A. The United States government is going to all sorts of lengths to colonize Alaska and to develop industries there, and of course we well know that great defences are being established there, air fields, hangars, and so forth.

THE CHAIRMAN: I understand the document you have referred to is a report of the Department of the Interior of the United States?

MR. COVERT: That is right.

THE CHAIRMAN: They include northern British Columbia in the area in question. They foresee a population of 11,000,000.

THE WITNESS: I might say, Mr. Chairman, since this matter has been brought up, that the New York Times of yesterday carries a dispatch from Salt Lake City of the meeting there of twelve governors of various states, and they dealt with this subject. With your permission I would like to present that clipping to be added to the record. I assure you it is purely a coincidence that our appearance here should be timed with any such announcement at Washington.

MR. COVERT: It is also very interesting to observe, Mr. Chairman, that in that same article, referring to the

report to Congress, they quote it as saying:

"Use of the port of Prince Rupert would have a most beneficial effect on transportation costs if Canadian vessels were permitted to carry freight from that port to Alaska."

THE CHAIRMAN: Yes. That means freight gathered in from places accessible to Prince Rupert.

MR. COVERT: Yes.

THE WITNESS: If I may say so, I think they probably refer to freight which would be carried through possibly in bond to Prince Rupert.

THE CHAIRMAN: Yes, it would include that, of course.

THE WITNESS: As these consignments go over the highway now in bond, and a very costly route by highway to Alaska.

THE CHAIRMAN: Q. How far does the highway run from Prince Rupert? What distance is it?

A. Well, very shortly, by the end of next year, there would be a way of getting from the Alaska highway to Prince Rupert.

Q. Via a branch road?

A. Yes.

Q. How long would the branch road be?

A. It would be 600 miles from Dawson Creek, at any rate.

Q. It would run from Dawson Creek.

A. That would hardly be an economical route, but if you were to connect with the present Alaska highway --

THE CHAIRMAN: Any other questions?

MR. BRAZIER: Mr. Chairman, I do not want to ask Mr. Murray any questions about his brief, but I thought it appropriate at this time to make a very brief statement

on behalf of the government of British Columbia. In regard to the matters advanced by Mr. Murray, the government of British Columbia is vitally interested, and has had under consideration for some considerable time the provision of a rail outlet to the Pacific coast for the Peace River district. I am sure that government would welcome any recommendation that your Commission might make to the federal government for assistance in that project.

At the same time the provincial government already has a very substantial investment in the Pacific Great Eastern Railway, which would be the southern end of the proposed railroad. I would suggest that any recommendation the Commission might see fit to make should bear in mind the position of the Pacific Great Eastern Railway.

The government of British Columbia has, during the last few years, discussed this matter with both the Canadian Pacific Railway and the Canadian National, and a joint committee representing both railways and the province studied the possibilities of developing a rail route to the Peace River, under the chairmanship of Mr. Crysdale of the provincial government. Their report is available and if the Commission feels it would be of value to them I will undertake to get copies of the report that was made public at that time.

Aside from that, I think I can safely say the people of British Columbia wholeheartedly stand behind the submission that Mr. Murray has made today.

COMMISSIONER INNES: Q. On page 16, Mr. Murray, I am curious as to your table. You have "merchantable" and "accessible merchantable."

A. Yes, timber.

Q. What precisely does that mean? Merchantable seems to be much larger than accessible merchantable.

A. "Accessible merchantable" I suppose would be timber which could be reached by road or river.

Q. What is "merchantable?"

A. That would be the total stand of timber in the area.

Q. That is to say, in addition to the accessible?

It seems to me there is a confusion of totals.

A. Well, the larger sum would be the total stand of timber there.

Q. You have 10,000 feet board measure. Does this mean each of these items is to be multiplied by that?

A. Yes.

Q. If it is multiplied by 10,000 it comes out that the accessible merchantable is very much larger than the merchantable?

A. I would have to check that, but you understand that there are certain roads, tote roads, already in existence, highways --

Q. I understand that but I was confused by the two items.

THE CHAIRMAN: Q. You see the point?

A. Yes. I will certainly check that.

Q. There is 1,000 as the multiplier in one case and 10,000 in the other.

A. Yes.

MR. O'DONNELL: It might be 10,000 in both cases.

THE CHAIRMAN: Q. You can verify that?

A. Yes, I will.

MR. BRAZIER: Q. I might say, Mr. Murray, that on page 19 there is a typographical error that you wish to correct in regard to the tests of coal.

A. Yes, that is a mechanical error, and I hope I may be able to point out --

Q. Just put the correct figure on the record.

A. That is 18.2 instead of 8.2.

THE CHAIRMAN: Q. Where is that?

A. Page 19, the second paragraph, in the third line.

Q. Where you say, "...the same work in a locomotive as 8.2"---

A. 18.2.

Q. That should be 18.2?

A. Yes.

MR. FRAWLEY: I was not sent a copy of this brief. Perhaps it is my fault more than anyone's that I did not ask Mr. Murray for a copy of it. I have listened with great interest to Mr. Murray's presentation, and while I have no express instructions from the government of the province of Alberta I think I can safely say that anything that will develop the great resources of the Peace River country in the province of Alberta would find wholehearted support from my client, the government of the province of Alberta.

COMMISSIONER INNES: You would not be disturbed to see all this trade going directly to the Pacific coast rather than through Edmonton?

MR. FRAWLEY: If that is the way it should go, if that is the way economics send it, we have done our job for them for many, many years, even bringing judges in there to hold court. Probably they would like to find an easier way in.

MR. BRAZIER: My learned friend is always very fair minded about this sort of thing.

THE CHAIRMAN: We thank you very much, Mr. Murray.

MR. COVERT: I think in view of the hour we might adjourn until this afternoon.

THE CHAIRMAN: Yes. It depends on the work you have before you. We will come back at a quarter to three.
-- The Commission adjourned at 12.50 p.m. to resume at 2.45pm

AFTERNOON SESSION

Wednesday, November 9, 1949.

MR. COVERT: Mr. Chairman, and members of the Commission: the first submission this afternoon will be that of the Canadian Congress of Labour. Dr. Eugene Forsey will present the brief.

DR. EUGENE FORSEY, called:

MR. COVERT: Q. Dr. Forsey, perhaps before reading the brief, you will tell us your position? I believe you are economics adviser to the Canadian Congress of Labour?

A. I am director of research of the Canadian Congress of Labour.

Q. And you are a Ph.D. in economics?

A. In economics and political science.

Q. From what university?

A. McGill.

Q. Will you kindly proceed to read your brief?

A. Mr. Chairman and members of the Commission, the Canadian Congress of Labour appreciates this opportunity of laying before you its views on the important matters which you are investigating. The Congress, as you know, not only has a substantial membership throughout Canada, but includes among its affiliates the largest single transportation union in the country, the Canadian Brotherhood of Railway Employees and Other Transport Workers. The Congress is therefore doubly interested in the establishment and implementation of a sound national transportation policy.

The Congress' views can, and indeed must, be stated very briefly. It has on its staff no accountant or transportation economist, and hence cannot attempt any detailed discussion of such matters as the accounting

systems of the railways, the results of the Canadian National-Canadian Pacific Act, 1933, or the guidance of the Board of Transport Commissioners in general freight rate revisions, competitive rates, international rates, etc." You will, in any event, have before you ample, fully documented, technical evidence on all these matters from organizations with larger resources for preparing and presenting such evidence.

The Congress submits that the basic principles governing national transportation policy should include the following:

1. It cannot be based entirely on narrow economic grounds. Whether a particular service "pays" is, of course, a most important consideration. But in this country it cannot be the only consideration. Provision must be made for developing new areas. Also, there are historic communities in various parts of the country which everyone agrees must be preserved, even, if need be, at some economic cost. A transportation policy which led to the depopulation of the Maritime Provinces or British Columbia or the Prairie Provinces would be instantly repudiated by everyone in Canada. Railways, particularly, are an essential part of the very fabric of this nation. Canada is perhaps the only country in the world which has two railways, the Inter-colonial and the Canadian Pacific, written into its constitution. Without the one, there would have been no Confederation at all. Without the other, the Dominion would have stopped at the western borders of the old Province of Canada: British Columbia and the Prairie Provinces would have been lost to the United States.
2. The railways and other transportation agencies should not themselves be called upon to bear the burden

of providing services which do not "pay." That burden should be borne by the community as a whole. Neither the investors nor the workers in the transportation industry should be asked to subsidize any section or class. This is the principle embodied in the Maritime Freight Rates Act.

3. Subject to the foregoing, railway and other rates should be non-discriminatory. There should be no discrimination between regions or localities, no discrimination against any particular industry. Each region, each place, each commodity, should bear its due share of the cost of service.

4. Each type of transportation should be assigned the task it can most economically perform.

5. This involves bringing all types of inter-provincial and international services under the control of the Board of Transport Commissioners, so that each type will be confined to its proper sphere and none will be allowed to engage in uneconomic competition with the rest. If this requires an amendment to the British North America Act, then that amendment should be obtained. The problem of rail and road competition, and its effects on the economic position of the railways, are too serious to brook delay. There has already been a delay of a dozen years since the Government made an attempt to deal with this matter, and then dropped it. That is long enough. Any constitutional amendment which may be necessary should not be too hard to get, since it can hardly be contended that an amendment of this kind touches in any way upon those minority rights which are, and should be, sacrosanct. The Fathers of Confederation clearly intended that all interprovincial and international transportation should be under Dominion jurisdiction. The fact that

they could not foresee the development of the internal combustion engine ought not to be allowed to frustrate their intentions.

6. Subject to the foregoing, railway and other rates should be set at a level which will allow the various transportation agencies to pay their employees proper wages and to earn a reasonable return on their investment. This principle should apply under either private or public ownership, or any mixture of the two.

7. It follows that the capital structure of the Canadian National Railways should be such that "the fixed charges of that Company" would be "on a basis comparable to other major railways in North America." In the opinion of this Congress, there is no excuse for any other policy. Much of the debt of the Canadian National Railways was the result of railway building undertaken for uneconomic reasons, reasons of general national policy. Much of the rest of it resulted from the incredible railway policy of both Liberal and Conservative Governments in the early years of this century, simultaneously subsidizing heavily two competing transcontinental railway systems. To make matters worse, the bookkeeping "losses" produced by the "failure" to earn interest on this debt were, for a long time, added to the debt, making it progressively more and more impossible to come within shouting distance of a "profit." A great deal of this debt has now been transferred to the general public debt, where it properly belongs. But if there is any part which has not been so transferred, it should be, forthwith. The management and employees of the Canadian National ought not to be put in the position of appearing to be perpetually inefficient,

simply because of follies committed before many of them were born.

8. All the ancillary enterprises of the railways, such as hotels owned by the railways, ought to be brought within Dominion jurisdiction, to ensure uniformity in labour relations and labour conditions, and thus avoid the complications which now arise from the standpoint of both management and workers.

The Congress recognizes that the application of some of the principles just set forth is often extremely difficult. None the less, it believes that the principles are sound, and should never be lost sight of; and if the Board of Transport Commissioners is made up of men of the necessary ability and experience, and has an adequate staff, it will be possible to apply the principles with a reasonable degree of satisfaction to the public as a whole.

Respectfully submitted,

(Sgd.) A. R. Mosher,

President,

(Sgd.) Pat Conroy

Secretary-Treasurer.

Q. I was just wondering Dr. Forsey, before asking you any questions, if there was anything you would like to add, yourself?

A. No, Mr. Chairman and members of the Commission. There is nothing I wish to add to my brief, except in answer to any questions you may see fit to ask me.

I should like to make this remark, however, that I have with me today -- not as I had hoped to have, Mr. Mosher, our president -- but Mr. J. E. McGuire who is one of the executive committee, as well as the secretary-treasurer of the Canadian Brotherhood of Railway Employees and Other Transport Workers. Mr. McGuire will be much better able to answer any technical questions than I would be, because he has spent his life in the railway industry, while my acquaintance with it is rather sketchy and cursory.

THE CHAIRMAN: Does anybody wish to ask any questions of Dr. Forsey?

MR. COVERT: I had intended to ask a few.

THE CHAIRMAN: Will you kindly proceed, then.

MR. COVERT: Q. Dr. Forsey, would you turn to page 1 of your brief, to the third line of the first paragraph, where you refer to "a substantial membership". Could you give us, roughly, how large that membership is?

A. I should think it was in the neighbourhood of 350,000. I could not be precise, because it fluctuates a little from month to month, depending upon whether people are up to date or not in paying their dues. To be exact, you would have to get a three months' moving average, in order to obtain a correct figure. But I think 350,000 would be in the neighbourhood of a correct figure.

Q. And on the same page, in the last paragraph at the bottom of the page, which is numbered 1, you suggested:

"Whether a particular service 'pays' is, of course, a most important consideration. But in this country it cannot be the only consideration."

First of all, I want to know if you lay special emphasis on "in this country", because of the distances involved, or for what reason?

A. Partly because of the distances involved; but what we were all thinking of, and the point I would make there has to do with historic communities, I suppose.

Our president is a Nova Scotian. I am a Newfoundlander. We are particularly interested in that feature, as Maritimers. I think it is particularly important that these historic communities be preserved. And my experience with British Columbians is that they feel equally keenly on this point.

COMMISSIONER ANGUS: Q. Dr. Forsey, I was on the point of asking: What is your test, from the start?

A. Well, I would say, on the theoretical point, I could not formulate any division. But British Columbia reaches back far enough in history, as do the Maritime Provinces, and certainly Quebec and Ontario. The only doubtful part might be in the case of Alberta and Saskatchewan, which were not created until 1905. But even their roots go far beyond that, away back to the founding days of the Hudson's Bay Company.

THE CHAIRMAN: We are off, more or less, to a start.

THE WITNESS: Quite so.

COMMISSIONER ANGUS: I thought you were distinguishing between, let us say, a mining area which had become a worked-out area, and an area which is settled.

A. You cannot say: Here is a particular village or town which must be preserved as a sort of museum piece, cost what it may. But to say, re a particularly large region of the country might be better, if it were written off economically, and its population transferred somewhere else, to get the economic advantage. You just can't say that.

You may have to transfer the population from a worn out mining town, but not for a whole large area of the country, which has a separate existence of its own.

MR. COVERT: Q. When you gave us the figure of 350,000 membership, how many of those people would be interested in the railways, would belong to railway unions?

A. My recollection is that most of the members of the Canadian Brotherhood of Railway Employees and Other Transport Workers are on the railways, although there are some, for example, employed by the Montreal Tramways, and so on. I would say that membership in the unions would be in the neighbourhood of 25,000.

MR. McGUIRE: 32,000.

THE WITNESS: That is right, 32,000. Then, we have as well, the Brotherhood of Express Employees, which would run to a bit over 3,000. Roughly, 35,000 of our members would be directly interested as railway workers.

I regret having to appear discourteous to the counsel for the Commission by turning my back on him;

but the acoustics of this court room are not what they might be, and I must face the Commissioners.

COMMISSIONER ANGUS: Are there any truckers in your organization?

A. Yes, there are. I cannot answer the question in detail, but Mr. McGuire could do so, if you wish to hear from him now.

MR. COVERT: Perhaps we might hear from Mr. McGuire later.

THE WITNESS: Yes.

MR. COVERT: Q. Coming back to that paragraph No. 1 at the bottom of the page, where you say:

"Provision must be made for developing new areas." I wondered if you could give the Commission the benefit of your views as to whether or not it should be left to the railways, left to Parliament, or left to some body such as the Board of Transport Commissioners to decide on matters of that kind?

A. I should think that would be essentially a matter of government policy, and for Parliament. The carrying out of the policy would then be left, as to the actual construction of a new line, or anything of that sort, to the railway companies themselves, with such assistance as the Treasury or Parliament might see fit to give them out of the public treasury. And the regulation of the whole thing would be a matter for the Board of Transport Commissioners.

I should think that the Board of Transport Commissioners would be obliged to take account of the general policy as laid down by Parliament. But I am afraid that is a very general answer. I cannot offer any precise details, but that is the kind of thing that I had in mind.

Q. Will you turn now to page 2, Dr. Forsey, where in paragraph 2 you say:

"2. The railways and other transportation agencies should not themselves be called upon to bear the burden of providing services which do not 'pay'. That burden should be borne by the community as a whole. Neither the investors nor the workers in the transportation industry should be asked to subsidize any section or class. This is the principle embodied in the Maritime Freight Rates Act."

THE CHAIRMAN: What paragraph is that?

MR. COVERT: It is in paragraph No. 2 on page 2.

Q. Dr. Forsey, I suggest that you apparently approve the principle of the Maritime Freight Rates Act?

A. Yes. It seems to me that that embodies the correct principle, and if you are going to provide special rates for a certain part of the country, the thing should be subject to subsidy from the public treasury, if that is a matter of public policy. Then, the railways, as economic organizations, should not be expected to provide that out of their pockets, at the expense of other investors in the railway, or at the expense of workers in the railway.

COMMISSIONER ANGUS: Q. Would you add: or of other shippers?

A. "Or of other shippers"? Quite so. The thing should be spread over the whole community in accordance with the system of taxation determined by Parliament.

Q. The Chairman has asked me to spell out my question. When I said "or of other shippers", I meant: should they be charged freight rates on some traffic in

order to meet the costs of other traffic? which has to be carried at a loss?

A. That is what I thought you meant, sir. I think that the cost of providing special rates, such as exist in the Maritime Freight Rates Act, should be borne by the community as a whole, out of the proceeds of general taxation.

THE CHAIRMAN: Q. That is one thing that is already done, as far as certain lines are concerned. But I would have thought that Professor Angus' question was: do you think it might be done by charging higher freight rates to shippers in other parts of the country.

A. No. I do not mean that.

MR. COVERT: Q. How far do you think this principle should extend? For example, would you say -- we have had a great deal of discussion, for instance, about the grain rates; do you think that principle should apply to grain rates?

A. I see no reason why it should not.

Q. And, as a result of that, I suppose it is safe to say, or it might be said that, when you say it should be passed along to the country as a whole, it is passed along to that part of the country who are taxpayers, and that portion, or the taxpayers, rather than the users of the service, for instance?

(Page 7925 follows)

A. Well, if it is public policy that certain special rates should be given, then it seems to me that the taxpayers of the country should stand the cost. Now, perhaps the special rates should not be given; I do not know. I simply say that if you are going to insist that there should be special rates for certain areas or certain commodities, then it seems to me the cost ought to be spread over the taxpaying public in accordance with the taxation system which Parliament has considered to be correct and equitable.

THE CHAIRMAN: Q. I think, though, that you begin those remarks by saying, if it is government policy. I think there is a further question: ought it to be government policy?

A. Well, we are suggesting here that it ought to be government policy, yes, sir.

MR COVERT: Q. Your point, I take it, Dr. Forsey, is simply this, that for instance if Parliament passes a statute fixing a rate, then that is assumed to be government policy, you can assume that it is government policy, and that if it is government policy it should follow that if it is a loss rate, for example, it should be borne by the public treasury, because they passed that statute; is that it?

A. Yes, I think so. My essential point can be put very briefly by saying that in my judgment the railways are not, to use the language of the British North America Act, eleemosynary institutions; they are not in business for their health; they have a right to the same kind of reasonable commercial existence as any other corporations. I do not see why they should be called upon to bear the burden of something which has been decided upon presumably by Parliament in its wisdom for the good of the community as a whole.

THE CHAIRMAN: Q. Do you know of any instance where they are bearing such a burden? You point out that : they would bear such a burden in the Maritime Provinces if it were not for the Maritime Freight Rates Act?

A. Yes.

Q. Now, do you know any other locality where there is actually such a burden and the railways are being made to carry it themselves?

A. Well, I understand that the railways have made that contention about the Crows Nest Pass agreement, and I should think that that is a valid contention, as far as I am aware of the facts.

MR FRAWLEY: Q. You have read the brief of the Canadian Pacific Railway dealing with Crows Nest Pass rates, have you?

A. I am sorry, sir, I have not. I have read only the newspaper summaries, I think.

Q. Well, it was all over the newspapers, too, was it not, that grain was being carried at a loss?

A. Yes, so I understood.

MR FRAWLEY: That is on the record, anyway.

MR SINCLAIR: Has Mr. Frawley evidence to show that it is not?

THE CHAIRMAN: I think we had better wait till Mr. Covert is through questioning.

THE WITNESS: What we were also thinking of, sir, in this was, of course, we are particularly concerned with the question of railway wages. We have self-interest in this; we do not want to see the railways in a position where they say, "Well, after all, we are carrying a certain burden as a result of national policy, we are suffering certain losses as a result of national policy, and therefore we are not in a position to pay what you consider the proper wages."

THE CHAIRMAN: Q. Do the railways say that actually?

A. Mr. McGuire can answer better than I. He has been in a thousand cases of railway negotiations. I could not say whether they have ever said it in negotiation or not, but I think they might conceivably do so.

MR COVERT: Q. Now, you would extend this principle to non-paying lines, perhaps, doctor?

A. If you are going to keep them open as a public service, then I think again, yes, the principle ought to be that the taxpayers stand the loss. If they are not deserving of staying open on their own merits as commercial propositions, then if the railways were left to themselves they would close down. If they are obliged to keep them going I do not see why the railways as such should be compelled to pay the full cost of doing so, suffer the loss.

THE CHAIRMAN: Q. Obligated to keep the lines going? Can you give me an instance of any line that any railway is obliged to keep going?

A. I cannot offhand, sir, but I have seen references to it in the past.

Q. I beg your pardon?

A. I cannot offhand, but I have certainly seen references to cases where the railways actually applied, if I recall correctly.

Q. I do not say there are none, but I was wondering if you could mention an instance?

A. No, I cannot give any offhand, but I am quite sure that I have seen references where the railways applied to have a line abandoned and were told no, it could not be abandoned.

MR COVERT: Q. Then you would say, doctor, that if a railway applied to have a line abandoned on the ground that it perhaps did not pay, but nevertheless it was held

that the balance of public necessity and convenience dictated that it should still be operated, then in such case that line should be subsidized; is that correct?

A. That seems to follow logically as a result of what we have down here. You will recall that I said that the actual working out of this, as I said at the end, in some instances may be extremely difficult, and I do not think it is any use expecting, in this or in any other matter, that we shall ever arrive at an ideal, but these basic principles seem to us to be principles which should be embodied in national transportation policy.

Q. Now, Dr. Forsey, may I take you to the paragraph numbered 3 on page 2, where you say, "Subject to the foregoing" -- that is, your M.F.R.A. principle applying to these, as I take it?

A. Yes, in paragraph 1.

Q. And that includes also the paragraph 1, about not being the only consideration?

A. Yes.

Q. "Subject to the foregoing, railway and other rates should be non-discriminatory. There should be no discrimination between regions or localities, no discrimination against any particular industry. Each region, each place, each commodity, should bear its due share of the cost of service."

Now, I would like to clarify that a bit, in this way: If you say each region, for instance, must bear its due share of the cost of service, just what does that mean?

A. I think it was just intended to be an assertion of the general principle which I understand underlies the Railway Act now, a principle which it is the duty of the Board of Transport Commissioners to apply, subject of course to certain statutory qualifications which have been intro-

duced; but, frankly, I should very much prefer not to hazard any detailed comments on that, because, though it is some time since I have studied anything much in the way of transportation economics, my recollection is that this is an extremely difficult and complicated problem, that the working out of the thing in practice is something that is extremely difficult.

Q. I was just wondering if what you were doing was advocating a cost-of-service principle?

A. No, I was not attempting to advocate that. I know that that is also a hotly debated point. It was a share-and-share-alike principle rather than I was thinking of there, that one community should not be discriminated against. Now, exactly what that means and when it is being discriminated against has been the subject, if I am not mistaken, of a great many different cases before the Board of Transport Commissioners.

THE CHAIRMAN: Q. The Railway Act already, as you know, prohibits unjust discrimination?

A. Yes. Well, that paragraph was intended to be really a re-assertion of that basic principle that is embodied in the Railway Act.

MR COVERT: Q. Perhaps that sentence means a little more than you intended, that each region and each commodity should bear its due share of the cost of service?

A. Yes, I think possibly that phrase has implications which I did not intend when I put it down there.

Q. Now, in the paragraph numbered 4 on page 2 you say that each type of transportation should be assigned the task it can economically perform. Later on in the brief -- I am coming to it later -- you suggest that a body such as the Board of Transport Commissioners should have control of trucking, I believe, as well -- other forms of transporta-

tion?

A. Yes.

Q. Do you think that such a body should lay down rules and regulations as to what type of traffic railways or trucks or other forms of transportation should carry?

A. Well, I feel confident somebody should do it, and presumably Parliament would lay down the basic principles and then somebody would have to apply them, and I should assume also that the Board of Transport Commissioners was the best body to do it, but I am not particularly wedded to that, and I do not think the Congress is particularly wedded to that view; if some other body can be set up to do it more satisfactorily, all right.

Q. But you do believe, I take it, that some body should allocate each form of transport to the type of service which it can most economically perform, and that the judgment as to whether or not that type of transportation can be performed, or that type of transport can perform that service better, would be determined by such a body?

A. That is our view, yes. What we were thinking of there, as you doubtless surmise -- and perhaps I am anticipating a question here -- was this business of road and rail competition. We were deliberately extremely brief on that point, because when I set out to look into this on the instructions of our officers I started grubbing around, and the first thing I tackled was a report by my old Oxford friend Gilbert Walker to a Nova Scotia Government on the problem of road and rail competition in Nova Scotia. I read it with some care, and decided after I had finished reading it that this was an extremely difficult and complicated matter, on which I certainly could not offer any sensible views without years of study, and I had not years of study to give to it, so I simply said to our officers, "I think the

best thing we can do there is to state in a single sentence the kind of thing that we think ought to be done, and simply dodge any attempt to go into it in any detail." I am quite positive that anybody who undertakes to hazard any detailed comments on that, unless he has made a most careful and profound study of the subject, will get himself into an infinite number of difficulties.

THE CHAIRMAN: Q. Is that a warning to the Commissioners?

A. No, no. Far be it from me to suggest that the Commissioners' intellects are in the same class as mine. Besides, you have, I won't say infinite time ahead of you, but much more time than I have, and you have also vast resources, resources made available to you in evidence and also by your own expert staff.

COMMISSIONER INNIS: Q. Would you go as far as the Railway Brotherhoods? Have you seen their briefs?

A. I have not seen their briefs, no.

MR COVERT: Q. In other words, doctor, you prefer to just leave that for the present?

A. Well, I am quite prepared to answer any questions on it that I can, but I have intimated already that my limitations are extremely serious in this respect.

COMMISSIONER ANGUS: Q. Dr. Forsey, if you had some reason for limiting the recommendation to interprovincial trucking, would not the reasons that you have given apply to trucking within a province too?

A. Yes, I think they would, and here probably we have not considered it logically, but, like other people in this country, we have to take some account of shall I say political realities, and I think that the attempt to get trucking and that sort of thing within a province under Dominion control is probably quite Utopian; it may not be.

MR FRAWLEY: Q. So I may understand, your brief, Dr. Forsey, does limit it to interprovincial and international services?

A. It does, for that reason.

Q. So that clearly we need not direct ourselves to intraprovincial truck transport?

A. Well, my own idea is that it is no use even thinking about that, because you get a colossal dust-up from probably every provincial premier in the country -- and I could mention one or two perhaps in particular, but that would be invidious -- and I do not think the results you would get would be worth it, but I think there is a fairly reasonable chance of getting something in the way of a general over-all control of the interprovincial and international services; it would not be completely satisfactory, but it would to my mind be an improvement, and I think it can be justified on the ground that we suggested here, that essentially it would be a carrying out of the intentions of the Fathers of Confederation.

THE CHAIRMAN: Q. You say, though, that each type -- that is distinguishing between railways and trucks -- would be confined to its proper sphere?

A. Well, that is really subject, sir, to the next paragraph, because I do not think it is practicable in fact to hope that the provinces will surrender jurisdiction completely.

Q. No, no. You are talking there of interprovincial and international services, under the control of the Board of Transport Commissioners, so that each type will be confined to its proper sphere?

A. Yes.

Q. Would that mean you would allow the railways to occupy one sphere and trucks to occupy another sphere?

And what is the meaning of the word "sphere" there? Does it mean a division of commodities or a division of regions?

A. I am afraid that is rather too technical a question for me to answer at all satisfactorily, but what I had in mind, sir, was the kind of thing that I think they are attempting to do in Great Britain now under their new transport system there -- a general co-ordination of the different types of transport, with an attempt to see to it that, whether by regions or commodities or by some other method, the various types of transportation shall perform the functions they can most usefully and economically perform. It is enormously difficult, and I do not know how successful they have been in it.

MR COVERT: Q. Dr. Forsey, in England isn't the system there to attempt to limit the length of haul in traffic?

A. Largely, I think so, yes.

Q. I was wondering if that was what you had in your mind when you were referring to "proper sphere"?

A. Yes.

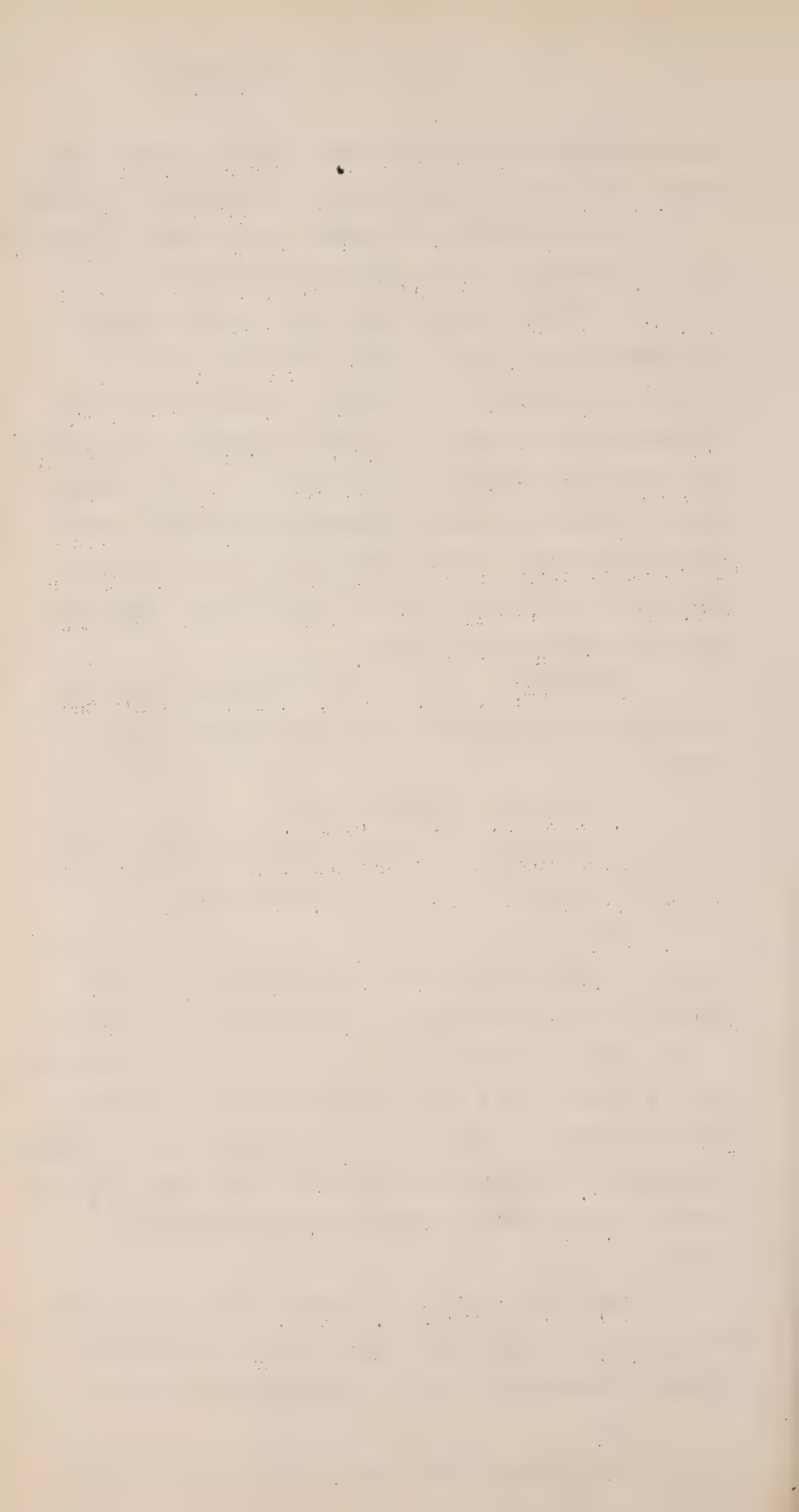
Q. In other words, suggesting that the long haul should be for the railways and the short haul for trucks?

A. Well, I did not want to go into detail, because, as I say, I think it is a very technical question on which I am not competent to pronounce, but I assume that the Commission would be. My veneration for this Commission, you will observe, Mr. Chairman and members of the Commission, is extreme.

Q. Then I did notice, Dr. Forsey, that, as has been mentioned, you confined the suggestion as to regulation of trucking to interprovincial and international services?

A. Yes.

Q. And I think you have given your reasons for so



doing. Now I would like to ask you, however, if you thought, supposing the provinces would surrender their jurisdiction -- if it were possible either that way or by shall we say legislation by agreement with the provinces that was uniform in nature -- that that was a desirable thing?

A. I should think so. There may be some objections to it which have not occurred to me, but I should think it would be desirable.

Q. In that case would you think that the control should be under one body? That is, what I am trying to find out, doctor, is, is it desirable that all forms of transportation should be regulated by one body?

A. I should say yes, subject only to the difficulty which always arises if you have an enormous organization in a country like this, that centralized administration is apt to get top-heavy. I do not know whether it would be possible to get over-all control in one body and decentralize it sufficiently, organize that control adequately, so that the cumbrousness of the thing would not destroy it or seriously weaken its good effects; but, subject to that proviso, I should say yes.

(Page 7937 follows)

Q. Now, would you turn to No. 6 at the bottom of page 2 and continuing on page 3 where you say "Subject to the foregoing, railway and other rates should be set at a level which will allow the various transportation agencies to pay their employees proper wages and to earn a reasonable return on their investment". Now I just wondered first if the Congress had any opinion or views as to what was a reasonable return on investment?

A. Oh, I think that the usual thing that has been decided by various bodies like the Board of Transport Commissioners and the corresponding bodies in the provinces and the United States would meet our views. I don't think we have got any specific figure in mind, but I think there have been a considerable number of decisions by regulatory bodies that have laid down what is a reasonable return on investment.

Q. And that, of course, would vary from time to time in any event, I suppose?

A. I should think so, yes.

Q. Then has the Congress any suggested idea as to how proper wages are to be determined?

A. Well there, I am afraid, our interest is a rather special one because most of the people whom we represent happen to be among the lower paid employees of the railways. Our Canadian Brotherhood of Railway Employees and other workers does not number among it any of these alleged plutocrats among railway employees. I don't know if there are any but if there are they do not belong to our organization.

COMMISSIONER INNIS: I was wondering if that could be elaborated upon. I am not quite clear what group of trades are included in the Congress?

A. Mr. McGuire could of course, be more explicit on that than I, but we have represented by the Brotherhood amongst others, clerks and special maintenance employees on the Canadian National Railways, sleeping and dining car employees on the Canadian Pacific Railways, and almost all the hotel employees of the both lines with the exception of the Royal York, and the Nova Scotian, I think it is. Mr. McGuire can correct me on that point. We have a large number of relatively low paid employees. If necessary we can file an analysis of that which we made last spring for the Board of Conciliation before that 17¢ increase, and I think our contention about our particular members that we have on the railways would be, first of all, that they should get something comparable with what is paid to similar groups of workers in other basic industries. It is very difficult often to compare people in relation with people in other industries, but you can with some things, for example, common labour rates, and even with the 17¢ increase given last year the rates for common labour on the railways are still substantially below those in a number of very important basic industries, and similarly with other rates which bear a certain relationship to those common labour rates. Then, of course, it has been our general policy to take the view that wages in any industry should approach somewhere near the kind of minimum health and decency standards set up at the Toronto Health & Welfare Study. That cannot be applied too much in detail because that is a standard that has been worked out for a family of five. It applies only to Toronto in set terms, and also there are a good many employees who have not got families and with families very much larger than five, but we have always taken that as a sort of yard stick by which to

measure very roughly the adequacy or inadequacy of wage rates, and judged by that standard a very large number of people on the railways are not getting the wages we think they should get. I think that would also apply to the bulk of employees represented by the Brotherhood of Maintenance of Way employees and the Brotherhood of Railway Clerks, - it has a title stretching all the way to the north pole, I never can remember the whole of it. They are not with us at all but I suspect that I am perhaps speaking out of my capacity here, but I expect they perhaps are also among the relatively low paid employees.

MR. COVERT: Now, turn to No. 7 on page 3, Dr. Forsey. I just call to your attention the last two lines of that " - - the management and employees of the Canadian National ought not to be put in the position of appearing to be perpetually inefficient simply because of follies committed before many of them were born". Now I would assume also that you feel that if the capital structure were revised or that the fixed charges of the Canadian National Railways would be on a basis comparable to other major railways in North America, that this would cause the Canadian National to carry on on a similar basis with its main competitors?

A. Yes, I should think so, and, of course, one has to be very careful about being too sweeping in these statements. It might very well be that even if that adjustment were made, if any is required (and I would not hazard a guess as to whether it is or is not; I don't know) but even if any such necessary adjustments were made it might well be that the Canadian National management and employees would have to struggle against allegations that they were inefficient and so forth because of very special

circumstances which do not apply to some of the other major railways. I have a recollection of a very excellent report by Professor MacDougall of Queen's University on a report of the Duff Commission in relation to some of these matters. I do not know the date but it appeared in the Canadian Political and Economic Journal. Two of the Commissioners will recall it more vividly than I do, but I might mention that because there might be special factors there in connection with the Canadian National which have to be borne in mind, but at least if there is any chance of making an adjustment of this sort in any fixed charges of the Canadian National, it would remove one factor which at present militates against the repetition shall I say, of the Canadian National management and employees.

Q. I suppose, among other things, it is alleged that they have to operate on economic lines?

A. Well, presumably that would be taken care of by some of the other things we were suggesting - or could be.

Q. Now Doctor, has the Congress any ideas when dealing with the abandonment of lines, has the Congress given any thought to that as to whether there should be any change in existing procedure?

A. I do not think that has been considered. Perhaps it should have been but we have so many things on our mind and have to deal with them with such a small staff, that I am afraid sometimes rather important matters do not get the consideration they merit. Mr. McGuire might have something to say on that. The Brotherhood might have given special consideration to that but the Congress, as far as I know, has not.

Q. Now in paragraph 8 you say "All the ancillary enterprises of the railway such as hotels owned by the

railways ought to be brought within Dominion jurisdiction to insure uniformity in labour relations and labour conditions, and thus avoid the complications which now arise from the standpoint of both management and workers". Now the whole idea of that, I suppose, is to enable the unions and the railways to deal with all the workers under the same Act and regulations. Is that the purpose of that?

A. Particularly, if I am not interrupting your question, if I may make a special reference, it has to do particularly with the problem of working conditions of railway hotel employees. As the Chairman will be particularly well aware, there are two conflicting judgments on that subject, one from the Supreme Court of British Columbia and the other from the Court of King's Bench, or the Appeal Court in Saskatchewan. It went to the highest court in each province. I am not sure whether the matter has been decided by the Supreme Court of Canada, but one said one thing and the other another, and I think it has occasioned a great deal of difficulty both to the management and unions concerned. Mr. McGuire can give you more information on that than I can.

MR. SINCLAIR: I think to clear the record, Mr. Chairman, the reference Re Hours of Work in The Empress Hotel, Victoria, is the British Columbia Reference - Re Hours of Work in The Empress Hotel, Victoria, and it is now awaiting the handing down of the reasons by a Judicial Committee.

THE CHAIRMAN: That is the point whether the provincial laws apply?

MR. SINCLAIR: The point is whether railway hotels come within the meaning of the word "railway" in Section 92 (10)(a) of the British North America Act.

THE CHAIRMAN: And whether it is under Dominion

jurisdiction?

MR. SINCLAIR: And secondly whether labour relations are a question of management and therefore within the jurisdiction of the Dominion over the railways?

THE CHAIRMAN: What did the British Columbia court hold?

MR. SINCLAIR: The British Columbia court held by a majority that railway hotels did not come within the meaning of the word "railways" as used within Section 92 (10) (a) of the British North America Act. In the case of Saskatchewan, where the whole question was involved of railway employees including hotel employees, the Court of Appeal unanimously held the opposite way, including hotels. That decision was not appealed by the Attorney General of Saskatchewan, but the decision of the Court of Appeal of British Columbia was appealed by the Court of Appeal to the Supreme Court which unanimously held against the contentions of the Canadian Pacific.

THE CHAIRMAN: Was the Canadian Pacific the party in both cases?

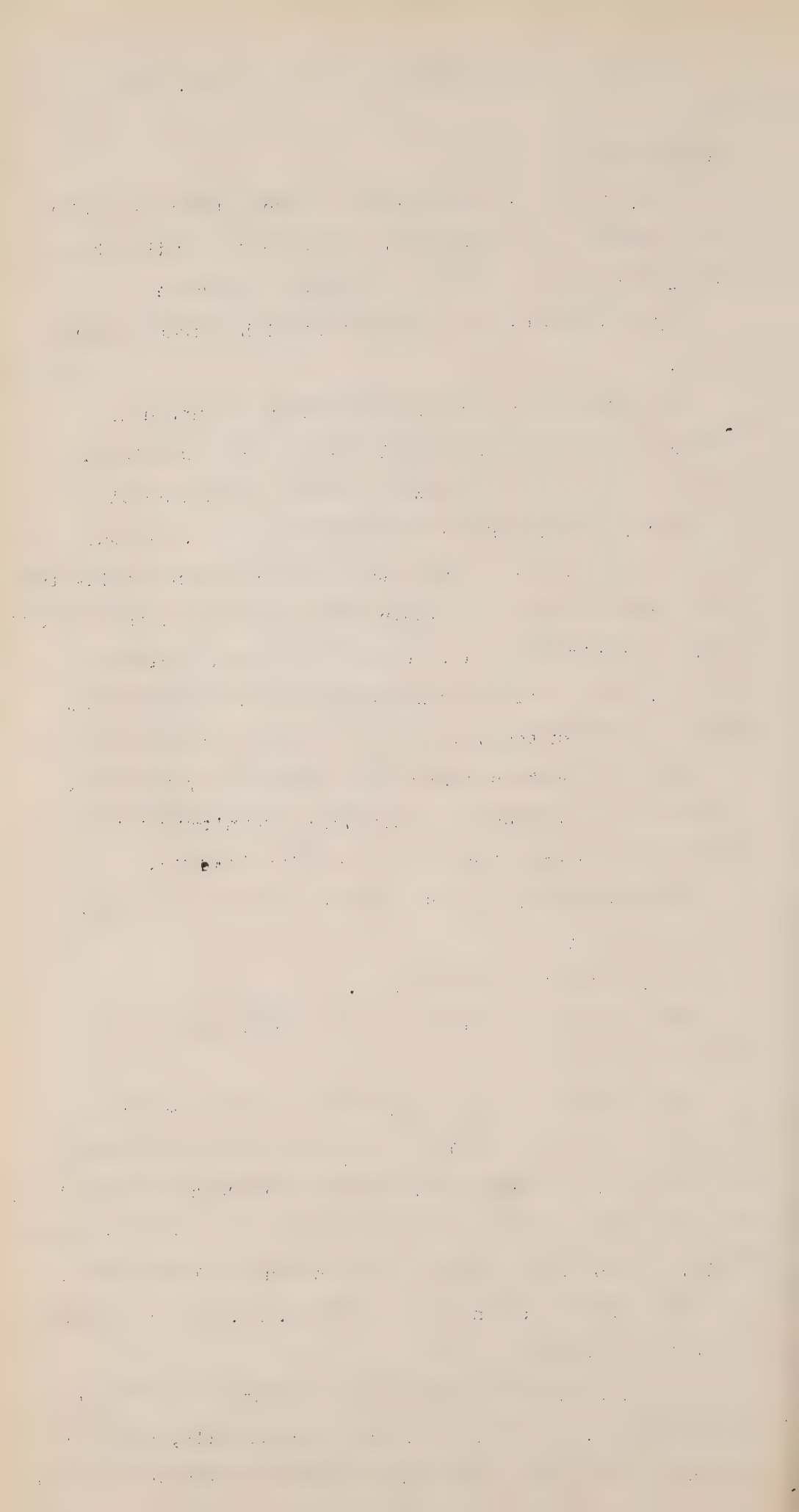
MR. SINCLAIR: Yes my lord.

THE CHAIRMAN: And what is the contention of the Canadian Pacific?

MR. SINCLAIR: Our contention, my lord, was that railway hotels were included in the meaning of "railways" as used in the British North America Act Section 92 (10) (a) and, as I say, a final decision on the question of railway hotels is awaiting a decision by the Judicial Committee.

THE CHAIRMAN: And you of course, Dr. Forsey, think that is as it ought to be?

A. Yes, we feel it should be a matter of Dominion jurisdiction. It seems to raise, incidentally, very far-reaching questions on this whole matter of labour relations



because if the Court of Appeal holds against the Canadian Pacific, then an enormous part of the complications over Dominion labour relations will disappear. It has come up particularly over hours of work and vacations with pay under provincial legislation.

COMMISSIONER ANGUS: Under the ancillary enterprises would you include trucks and buses owned and operated by the railways?

A. Yes.

Q. Even if they are separate companies?

A. I should think so.

COMMISSIONER INNIS: Consolidated Mining and Smelting Company?

A. No, I would not say that. I do not know what a court would hold but I would not call that an ancillary. It is merely an investment which they have.

COMMISSIONER ANGUS: You say they are brought under Dominion jurisdiction for this purpose. Do you mean that they would be under Dominion jurisdiction for other things as well - regulation of rates and so on, or that that would be under provincial jurisdiction?

A. Well, there should not really be a comment there, I think. We were thinking really of Dominion labour relations and labour conditions.

MR. COVERT: I would like to put this proposition to you. Supposing there is a railway hotel operating in a city and they have as a competitor a non-railway hotel. Now one, under your suggestion I take it, would be under Dominion labour legislation and the other under provincial?

A. Yes.

Q. Now which do you think would present the greatest injustice or the greatest lack of uniformity in bringing about a condition such as I have outlined, by just bringing

the hotel under Dominion jurisdiction as far as labour organizations are concerned?

A. Well, we think jurisdiction over labour relations in a great many industries ought to be under Dominion jurisdiction, but here we were addressing ourselves only to the question of ancillary enterprises of the railways because the rest of the industries did not seem to be within the terms of reference of the Commission. I do not see that there would be any serious injustice in the thing. However, I may be biased there because I can recall cases in which we have tried to get, or other organizations within our Railway Brotherhood have tried to get rates in competing hotels up to the rates in railway hotels, so I do not - Perhaps I am not a good witness on that.

Q. I suggest it would bring about some anomalies, would it not?

A. It may bring about some difficulties. I do not know if you would call them anomalies or injustices. If you could use the figures of Dominion jurisdiction over labour relations and labour conditions in railway hotels to bring up the working conditions in other hotels to that standard, then I do not see anything very unjust or inequitable or unfair or anomalous about that, but then again I am party-free, I suppose.

Q. Are you suggesting that if they are under Dominion jurisdiction that that is a higher standard or level?

A. Well, it would not necessarily be, but in actual fact I think it would be because I think the railway labour organizations are in a much stronger bargaining position than most other organizations, and would be able to get better terms from the railway hotels than the comparatively new and weak unions in other hotels which

would be of advantage to the non-railway hotels.

Q. And I take it, Doctor, you are an advocate that all labour relations should come under Dominion jurisdiction?

A. No, I do not think we have ever gone as far as that, but we think that in industries of national importance they should be under Dominion jurisdiction.

Q. Now I will just take you back to No. 6 again for a minute, on page 2, where you suggest "That railway and other rates should be set at a level which will allow the various transportation agencies to pay their employees proper wages". Now, I take it that all this means that they are not receiving proper wages now, or do you just write that down as a general principle?

A. We are writing it down as a general principle. We think that some of them at least are not receiving proper wages now. We cannot say anything else. We are actually in negotiation now for higher rates and better conditions for our workers. Naturally we cannot say anything else and naturally we believe that, or we would not be in negotiation; it would be going through the motions of pretending something.

Q. Now the reason I bring this up is you say "Railway and other rates should be set at a level which will allow these various transportations agencies to pay their employees proper wages". Now does that mean that in any application, for instance for increased freight rates, that you are of the opinion that this should, at the same time, come before the Board of Transport Commissioners so that they would be able to give consideration to that matter?

A. I am afraid I am not entirely clear about the question.

Q. Well, you say "That railway and other rates

should be set at a level which will allow the various transportation agencies to pay their employees proper wages" and then you go on "and to earn a reasonable return - "

A. What we had in mind was that we did not think it should be accepted as a general principle that any railway workers should subsidize the shipping public or the investors in the railways by accepting substandard wages. It is a very general principle.

Q. You do not have in mind that any body like that should have anything to do with fixing wages or determining what is a proper level? You say " - set a level which will allow the various transportation agencies to pay their employees proper wages." You are not suggesting that the Board should have anything to do with the determination of what is a proper wage?

A. No, I do not think it could. I think if it attempted to do it it would be "Entering a vast subterranean bog where armies whole might sink". I think there is machinery for checking it up through collective bargaining and through conciliation boards and so forth, and I should think that the Board of Transport Commissioners would pretty well have to take that as read, as it were, and I suppose, if there might be extreme cases where if they find that common labour on the railways was being paid \$15.00 an hour or something like that, they could say "Well, the public ought not to be expected to pay rates based on that kind of thing", but it is in connection with reasonable realms of probability, anything that is at all likely to be established that I think the Board of Transport Commissioners setting rates would have to take the railway wage rates as something that it could not go behind. Otherwise, your conciliation machinery and your collective bargaining

machinery would be so much shadow-boxing, and you would have to go through the process of arguing your whole case all over again when you come before the rate-fixing agency.

(Page 7952 follows)

COMMISSIONER INNIS: Q. Are you content with the effectiveness of the present conciliation machinery?

A. That is a large question. "Content"? I think reasonably content.

We could suggest improvements in it, I think, but we are reasonably well content with it, certainly as opposed to the idea of dropping the whole thing into the lap of the Board of Transport Commissioners. Somebody has said that they would have to sit until Kingdom come if they tried to go into this matter.

MR. COVERT: That is all I have to ask, Mr. Chairman.

THE CHAIRMAN: Are there any more questions?

MR. BRAZIER: Q. In answering a question asked you by Mr. Covert, I think, you said you were not advocating the cost-of-service principle. I presume you make that statement, due to the fact that you consider you have not studied it sufficiently to give any opinion.

A. Quite so. I am not advocating any particular principle. I do not want to pretend to something I have no right to. There are a fair number of humbugs abroad in this country now, and there is no reason why I should, gratuitously, add myself to that number.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Dr. Forsey, when you say, in your paragraph 6, that:

" . . . railway and other rates should be set at a level which will allow the various transportation agencies to pay their employees proper wages. . . "

What you are saying is that the fixing of the rate must be with the knowledge that the rate will allow the payment of a proper wage. Isn't that the plain English of it?

A. I do not know that I can make any clearer what I had in mind there than I already have. But I suppose I could make another attempt.

Q. No. You have said that you thought the regulatory body, the transport board, should take it as read.

A. What I was thinking of really was this: I do not think the Board of Transport Commissioners should say: It looks to us as if you were paying your people too much altogether, and therefore you have got to cut down their wages, or get along with less money; if you are going to pay these wages, you will have to pay them out of your shareholders' pockets, and let them do without dividends for some time.

Q. Let us get away from railways. Let us consider gas companies. If they should find that the president is being paid \$100,000 a year, a regulatory body could say that, for rate-making purposes, we will cut that down, let us say, to \$25,000 a year. You know that that principle has been acted upon quite often?

A. Yes.

Q. In your opinion, it just should not apply?

A. I qualified my statement by saying that if it were common knowledge that the railways were paying \$15 an hour for common labour, the Board of Transport Commissioners would take some cognizance of that. But where are you going to draw the line? It would be difficult to say.

I presume that the shippers could go before the Board and show that the rates for certain types of occupations on the railways were notoriously far far out of line. They might take the same attitude. The Board might take the same attitude then that you suggest, with respect to the salary of the president or other executive officers

if they appeared to be utterly exorbitant.

Of course, with executive officers, you have only a small number of them, and the Board could look at it, without spending the rest of its life.

But with the mass of people employed on the railways, it would be an enormously challenging problem. But the Board of Transport Commissioners, if it had the evidence before it, could see if the wage rates were fantastically out of line, as compared to the same occupations elsewhere, and they would certainly be bound to take account of it.

Q. You mean, take a crack at the executives, and leave the labourers alone?

A. No, I would not say that. But if it were the custom to pay the presidents of large corporations across the country \$100,000 a year, I venture to say that a rate-taxing body would not take the view that that was exorbitant.

Mr. Meighen might say: I never believe in these mountainous salaries. No man in the world could earn them. But I do not think the Board would take that line. And if it found that this particular president got fifteen times as much as other people doing the same kind of work, they would disallow it.

Q. You say the Board of Transport Commissioners should take wage rates --

A. With a very wide qualification which I have mentioned, I do not think they could do anything else. It is surely a matter of administration procedure.

Q. You would agree with the proposal put to you by Mr. Covert that other shippers should not be asked to bear the burden of carrying traffic which was being carried

at less than normal rates. Is that a correct interpretation of what you said?

A. I think so.

Q. Without any assistance from Mr. Sinclair.

MR. SINCLAIR: You used the words "normal rates". That is a technical term, and the witness did not use those words.

THE WITNESS: No, I did not.

MR. FRAWLEY: Q. Then what kind of rate is it? There is a variety; and you say that other shippers should not be asked to bear the burden?

A. Of providing services which do not pay.

Q. Of providing services which do not pay; and you limit it thus: you add, lines at the compensatory points as against non-compensatory points.

A. What I said was that the railways and other transportation agencies should not, of themselves, be called upon to bear the burden of services which do not pay. And when Mr. Covert asked the question, I agreed that I did not think that particular classes of shippers should be called upon to bear the burden of providing for services which do not pay.

THE CHAIRMAN: Q. Would you please repeat? You agree with what?

A. That in particular cases, all shippers should not be called upon.

Q. That is what you told me.

A. To bear the cost of looking after services which do not pay.

MR. FRAWLEY: Q. And you would tack that down to the commodities, I think; yes, each region, each place, each commodity should pay its due cost, should bear its due share of the cost of service.

A. I was not using the words "cost of service" with any reference to the cost-of-service principle.

Q. And then you say that the federal treasury should subsidize, where the region, place, or commodity does not bear its due share of the cost of service?

A. Yes.

Q. How far would you go? You do not go so far as to say that, because we have been told that sand and gravel can only move because of the rates charged for boots and shoes -- you do not say that the federal treasury should subsidize the movement of sand and gravel?

A. Would you mind repeating your question?

Q. We have been told that sand and gravel could not move at all, if it were asked to pay its share of the cost of moving it.

A. The whole thing.

MR. SINCLAIR: Who said that, Mr. Chairman? I would like to object to my friend, Mr. Frawley, putting questions such as: we are told that sand and gravel could not move at all if it did not bear the cost of moving.

THE CHAIRMAN: You want to know who said that, who told us that?

MR. SINCLAIR: Yes, Mr. Chairman, I want to know who said that.

THE CHAIRMAN: I think the usual phrase is: "I am instructed."

MR. SINCLAIR: Then I think it is my friend's duty to bring forward the evidence to prove the instructions. I would be glad to hear it with respect to grain.

MR. FRAWLEY: I guess we cannot get away from grain. Somebody told me, a few days ago, we would get away from it. But I see no hope at all.

MR. FRAWLEY: Q. Talking about boots and shoes,

sand and gravel, we are told that a rate is charged for boots and shoes, sufficiently high to carry the other more bulky materials, which are more costly to move, commodities such as sand and gravel.

Boots and shoes are put into class 1, while sand and gravel are in class 10.

Presumably the costs of moving are comparable to boots and shoes, but the latter pay more than sand and gravel.

Would you go so far, in the extension of what you have said in your brief, as to say that the railways should be subsidized for moving sand and gravel?

A. No. I think the whole thing hinges on the interpretation to be placed on the words "due share".

Unfortunately I used this misleading phrase "cost of service." I was thinking of the total cost of service, not the kind of thing you have just suggested now, sir. It is rather hard to put it, when one is unfamiliar with the technique, as I am.

I mean that the whole, the undue share of the cost of carrying sand and gravel should not be thrown on boots and shoes or anything else. But exactly how much you are going to assign to these commodities is an exceptionally difficult technical problem, I think.

But I am not for a moment suggesting that every single commodity should pay the same rate per pound or per ton. That would be looney.

Q. You see no place for federal subsidies between boots and shoes and sand and gravel?

A. I believe we have expressed ourselves badly. My technical equipment is exceedingly slim.

Q. So you would leave that to the railway to work out, how much boots and shoes should pay as compared with

sand and gravel?

A. Subject to existing control.

Q. You said that non-paying lines should be assisted by the federal treasury, and that other shippers, and other lines should not be ^{asked} to carry non-paying lines?

A. If the railways say: Here is a line which is not paying. Now, if we were left to ourselves, we would close it down.

They have, on occasions, done that. If they wish to carry it for advertising purposes, I do not know; but if it is a loss, and it is kept going against the wishes of the railways and against their economic interest, and the public authorities say to them: We don't care if you lose \$1 billion a year on it, you have to keep that line open, then we say that the railway should not be called upon to bear the cost of keeping that line open for the convenience of the public in accordance with national policy.

Q. So you would limit your suggestion to that kind of case, entirely?

A. If you talk about uneconomic things, you could say that a great deal of passenger traffic is not economic. I have heard it said that most passenger traffic does not pay; that there are very few passenger services which pay; that the only passenger service on the Canadian Pacific which does pay, is the line up to the Laurentians, with the ski trains from Montreal.

I have heard it said that the big expensive passenger terminals are dead economic losses, in one sense.

If you took out all the living you could get from the renting of offices in them, they would not pay. We are not suggesting for a minute that things of that sort, which the railways would do simply as commercial

organizations should be subsidized.

We say that if it is a dead loss which the railways would cut right out, if they had their own way, and where the public authority says: You have got to have that, and we do not care how much the cost, that is the kind of thing we are thinking of.

THE CHAIRMAN: Q. Do you mean, for example, if the Government ever did say: You must carry passengers at such a rate between Montreal and Toronto, and that rate does not pay, then there should be a Government subsidy, to make up the difference? Is that what you mean? You are referring to passenger rates?

A. The same general principle could be applied there, if the Government said that.

Q. Are there any cases of any such thing happening? Or, if it did happen, if the Government did say: You must do so and so for such, less than it is worth, has that actually happened?

A. The only occasion I am aware of, of this kind of thing, is with respect to the cases I have referred to, where, to the best of my recollection, the railways have actually applied for permission, to the Board of Transport Commissioners, to shut down, to abandon a line.

Q. What case have you in mind?

A. I have no particular case in mind. I could not quote one. But I am confident there have been such cases.

I think I could give you a specific example. But I suspect there were those cases, where the railways would have been inclined to do it, if they thought the Board of Transport Commissioners would agree; and I suspect it is only in extreme cases they have applied.

THE CHAIRMAN: Could you help us out, Mr. Sinclair? Do you know of any cases where the Canadian Pacific has

applied for the right to abandon a line and has been refused?

MR. SINCLAIR: There are quite a number of cases, and they are set out in the brief, under the heading "Canadian National".

THE CHAIRMAN: They have to do with cooperation?

MR. SINCLAIR: Yes. But I am not saying that in each one of these cases the line was being operated at a loss. I do not know that, without going into them in detail. There may have been other reasons why there was an application made to abandon. There might have been greater savings. But I would not know without going into it. However, I do know there have been cases where lines were operating at a loss, and some application was made.

THE CHAIRMAN: To the Board of Transport Commissioners?

MR. SINCLAIR: Quite so.

THE CHAIRMAN: And they refused it?

MR. SINCLAIR: As I understand it.

THE CHAIRMAN: Q. Would you say that, in such a case, where there is a loss to the railways which ensues, the Government should make it good?

A. That seems to me to be sound principle, Mr. Chairman.

MR. FRAWLEY: Just one more point in connection with dominion control of hours of work and rates of pay in hotels. That is a matter which, as you know, is now to be determined, or rather about to be determined by the Privy Council?

A. Yes.

Q. I want to know how far you would go in your recommendation to the Commission. You say that employees in railway hotels, whatever they may be doing, should

be brought within Dominion jurisdiction as to rates of pay and hours and conditions of work.

A. Yes, sir.

Q. And would you go so far as to say that the men who dispense beer in the basement of the Palliser Hotel in Calgary should be paid the rates of pay, and have their hours of work prescribed by a Dominion body?

A. Yes.

Q. Notwithstanding the fact that every other beer parlour -- as we call them in Alberta; it is a technical name -- that they are all regulated by a purely provincial body, as well as with respect to licence?

A. Yes.

Q. So, the Canadian Pacific Railway takes its licence and sells its beer in its basement in Calgary, purely by virtue of provincial permit?

A. Yes.

Q. And you think that they, having got their provincial permit, and being required to buy their beer from the brewery prescribed by the provincial authority, that the gentlemen who dispense that beer should go to work as and when some Dominion body tells them; and you think that the hotel should be closed up as and when the Dominion body tells them. So, the Palliser Hotel might operate its beer room all night, while the beer parlour just across the street might not be permitted to do so?

A. I do not think that part about "all night" would follow. I am only a layman, but it seems to me that is a different aspect of the matter entirely.

Q. But it might follow, if the Dominion body had complete control over hours of work.

A. I am quite prepared to leave that to the courts.

Sometimes we say very unpleasant things about

the courts, in the labour movement; but it seems to me that the courts should be trusted to take care of the various aspects.

A lot has been said about one aspect being Dominion and another aspect being provincial. I think it applies here. My recollection is that it occurred in the case of Russell vs. The Queen.

I do not think there is any difficulty there. Your beer parlours, I suppose, or whatever you call them, are clearly matters of public health regulation.

Q. Would you even go so far as to say that the provincial health regulatory authority should go in there to see if the glasses were sterilized?

A. I think so. If you are going to separate labour relations from other things, somebody will have to say where labour relations stop and health regulations begin. You are faced with that kind of problem all the time in a federal country, and the courts solve it more or less satisfactorily.

Q. But the rates of pay in the hotel should be fixed then, if somebody chooses to fix them by a Dominion or provincial authority.

A. We are not in favour of having rates of pay.

Q. Oh, I should have said rates per day in the rooms.

A. I thought you said "rates of pay".

Q. And so I did, inadvertently.

A. I thought I had already answered that. No, that is not what we are asking.

Q. Where would you put that authority, the right to prescribe the room rents in this hotel?

A. I have never considered it, and I do not, particularly, care.

What we are interested in, in paragraph 8 --

that comma should not have got in.

Q. You may not care, Dr. Forsey; and, frankly, I may not care much about that; but I would like to pursue it a little bit further, to see where you draw the dividing line between the rates for the room rent, and the wages of the men in the beer parlour.

A. I would draw it exactly where the courts decided it should be drawn. When you are dealing with the terms "labour relations" and "labour conditions", if those terms are not precise enough, then learned counsel in the law, like yourself, can produce terms which are precise enough.

Q. Thank you very much. Now, you see no inconsistency with the Canadian Pacific Railway holding, very tenuously, before the Board of Transport Commissioners, that the money which it makes in the beer parlour, and in the rooms in Calgary in their hotel, is no concern of the regulatory body, when we go there, trying to find out how much financial need they have; would you subscribe to that?

A. No. I do not think I should. It seems to me that these ancillary enterprises are the business of the Board of Transport Commissioners. But it does not seem to follow that the rates for hotel rooms should be a subject for the Board of Transport Commissioners.

They could say that they can consider revenue which the Canadian Pacific Railway gets, let us say, from the Consolidated Mining and Smelting Company, if they want to.

But I am not prepared to express an opinion on it. They can consider that, without having to consider the rates to be charged for hotel rooms, or the price to be charged for the various metals produced by the Consolidated Mining and Smelting Company, for their lead,

zinc and other stuff.

Q. Yes, and there is a lot of other stuff. But just tell me this: you do think, then, and it is your view, that when the Board of Transport Commissioners is considering the financial need of the Canadian Pacific they should take into account just revenue, or just smelter stock, and just profits from its hotels?

THE CHAIRMAN: Did you say: Its revenue from its smelter stock?

MR. FRAWLEY: Q. Do you say the revenue from its smelter stock?

A. I think that the Board is entitled to take it into account, yes, because, after all, the investments were originally made out of the profits of the railway industry.

Q. Oh, I seem to have heard that argument before.

THE CHAIRMAN: Q. Dr. Forsey says that, ancillary enterprises, such as hotels owned by the railways, ought to be brought within Dominion jurisdiction, to ensure uniformity in labour relations.

A. That was the only thing I was thinking of.

Q. And you were asked whether they should include smelters; and you said no, not for that purpose. But you would have included revenue derived from the smelters taken into account, as part of the revenue derived by the railway?

A. I think so; but I do not see any inconsistency in saying that the Dominion should not regulate the price of lead and zinc from the Consolidated Mining and Smelting Company and saying that the Board should take into account revenue which the Canadian Pacific got from its investments, including Consolidated Mining and Smelting Company.



I see no inconsistency in saying that the Palliser Hotel beer parlour should be licensed by the province, and in saying that the rates of pay should be under Dominion jurisdiction, to be settled by collective bargaining, and so forth.

MR. FRAWLEY: Q. The revenue from the telegraph system, from the hotels, and from the investments which the railway calls its other income, you would, I understand, subscribe to the proposition that that revenue should be taken into account, when the Board of Transport Commissioners is endeavouring to arrive at the financial need of the Canadian Pacific Railway.

MR. SINCLAIR: Mr. Chairman, I did not hear the witness use the word "telegraph", or the words "other income"; and I wonder whether my friend Mr. Frawley is giving evidence, or whether he is trying to ascertain what the witness is trying to tell the Commission; or whether he is trying to put some evidence on the record.

If Mr. Frawley wants to put some evidence on the record, there is one way of doing it.

THE CHAIRMAN: This is addressed to labour. It is a labour brief, and you are talking of ancillary enterprises of the railway, which Mr. Sinclair would give beyond hotels.

He only gives hotels as an incident; and ancillary enterprises of the railway, such as hotels owned by the railway, ought to be brought within Dominion jurisdiction. And he gives reasons why, to ensure uniformity in labour relations and labour conditions. That is as far as Dr. Forsey has gone in his brief.

Now, he has been asked, outside of his brief, in respect to revenue derived from other investments and other enterprises.

MR. FRAWLEY: That is right, other ancillary enterprises.

MR. SINCLAIR: Might I suggest: I know that my friend Mr. Frawley wants to be fair. He has demonstrated that, many times. But the proper way, I suggest, he may have overlooked.

MR. FRAWLEY: The proper way, I suppose, is to ask you.

MR. SINCLAIR: No. I am not a witness yet. And neither should you ask the witness. Possibly you should say: What other enterprises had he in mind when he was discussing ancillary enterprises?

THE CHAIRMAN: Q. That is a fair question. You give hotels as an instance; and you must have something else in mind.

A. I admit, possibly, that Mr. Frawley's question might have been objected to as being in the nature of a leading question. But I have no objection to it in fact. I think we can shorten the thing; and instead of Mr. Frawley saying: Would you include telegraphs? and my saying: Yes-- I know that is good legal procedure. But in this case I am perfectly prepared to talk of the things which Mr. Frawley has listed as ancillary enterprises, and give my opinion on it for what it is worth. Of course, it will not be an expert opinion, but rather, the opinion of an ordinary citizen.

My opinion is that the revenues which the railway derives from these various companies which he has mentioned, telegraph, hotel, steamship, and income from investments of various kinds-- I think they should all, properly, be payments into account, be proper for assessment under assessing need for rate increases.

I do not say, right now, that I would include

the lot, but I cannot think of any I would not. Suppose, if they ran a stamp collectors' club?

THE CHAIRMAN: Q. Would you consider their possible losses, if hotels ran at a loss?

A. I should think that would follow. If you consider the need of the Canadian Pacific Railway, for example, for certain increases, and they are losing money heavily on these things; I think it is a matter of common sense that you should consider it.

COMMISSIONER ANGUS: Q. Who do you think should bear that, the shippers or the taxpayers?

A. That is a nice question. I am afraid I am not prepared, without thought, to answer it. I would have to think it over.

THE CHAIRMAN: Mr. Hume.

CROSS-EXAMINATION BY MR. HUME:

Q. I have one or two questions. With relation to No. 4, I listened with interest to your explanation of the difficulties you encountered; but in No. 4 you say that:

"Each type of transportation should be assigned the task it can most economically perform."

I would ask you whether or not you mean that the sole criterion in relation to allotment is the question of economy, that is, cheapness?

For example, if a shipper decides that he wants to ship something by air, although by doing so it may be more expensive, are you going to suggest that he should not do so, because it would be more economical to use another medium of transportation?

A. It seems to me that the rates would look after that.

If a man decides, deliberately, that he is willing to pay a higher rate for a certain thing, to get certain advantages, such as speed, then that is his

business.

I have been told that certain importers here prefer to import from the United States by truck in bond, rather than by rail, because they find they have less delay with the customs, and find it worth while, accordingly.

I do not think you can make everybody use any particular type of transportation. But if you settle your rates in accordance with this principle, then people will only use the type of transportation which is most economical. Speed comes into it, for example, and other things.

Q. That is a little different to what you say in No. 4. There you say:

"Each type of transportation should be assigned the task it can most economically perform."

I want to find out if yours has the cheapest method, if that is the criterion, or whether you would agree with me that there may be a form of transportation which may be more expensive, which a shipper may decide upon for a number of reasons, which he prefers to use?

A. It would depend on the definition of "economical".

Q. What is your definition?

THE CHAIRMAN: What about the next paragraph?

There he says:

"... each type will be confined to its proper sphere and none will be allowed to engage in uneconomic competition with the rest."

That is to say that the truck, for instance, or the railway, for instance, would be forbidden to do certain things, but would be confined, each to its proper sphere.

MR. HUME: Q. Is that the idea?

THE CHAIRMAN: Q. And none would be allowed to engage in uneconomic competition with the rest?

A. "Confined" is probably too precise a term there. I did not foresee that I was likely to come before a board of legal counsel. That was something I did not expect. We merely intended to file this brief, and it never occurred to us that people who were appearing before the Commission would be so much interested in our views.

THE CHAIRMAN: But we are.

THE WITNESS: It never occurred to me that we were going to be cross-examined on this brief.

THE CHAIRMAN: Q. But is it not a serious question?

A. Yes, sir.

Q. You say:

"Each type of transportation . . ."

You mean: truck, railway, plane, and so on; and you say that the thing should be arranged so that each type would be confined to its proper sphere. Surely we can ask you what you mean.

A. Definitely.

Q. "And none would be allowed to engage in uneconomical competition with the rest." Do you mean, from the point of view of the carrier, or from the point of view of the shipper?

Now, Mr. Hume's question, I think would say it was uneconomical on the part of a shipper to use a plane. Is that what you mean?

A. There are those which are uneconomical from the point of view of the community as a whole. But I do not think I should have used the word "confined" there, without some explanation of it.

Q. I thought you meant railways should not be allowed to compete with trucks, if they could handle it at so much less, or that trucks should not be allowed to compete with

railways, if they could handle it so much better.

A. I was thinking of confining -- and that is not the best term I could use -- but confining it to their private affairs by the rate regulations. Possibly, in some instance or other, the type of regulation would do that. But primarily your rate regulation.

I was not suggesting that you could say to a shipper, "Whether you like it or not, you have got to ship a certain way." But looking at the thing from the point of view of the community, we think a certain type of transportation should perform certain services, and we would set our rates accordingly.

But, on the other hand, if somebody still has a private reason for shipping by some other means, and at a higher rate, then that is his business to provide some kind of plan, a national co-ordination of transportation policy, so that one, broadly speaking, -- the different types of transportation would be tied in with it, and from that point of view, could probably, most economically, perform their function.

And if trucks are suited, from the point of view of public interest, to perform a certain type of service and in a certain place, then a regulatory body should arrange rates accordingly. Then, if somebody says: I do not care if I have to pay \$1 million, I will ship it by truck, then you should not prohibit it.

Q. You would not prohibit the truck from carrying it?

A. No, that was not our intention anyway.

MR. HUME: Q. You have switched over to the point of somebody setting rates. But I was only concerned with clearing up one point about this assigning

of certain tasks, as I understood it, to certain transportation agencies from an economic standpoint; and I was trying to find out if that is what you meant, and if that was what you meant whether you were intending to imply that a shipper should not have freedom to use any method he wants?

A. No.

Q. It is up to the shipper?

A. It is up to the shipper. But I do think that the assigning and the confining and these other words which I am afraid I used too loosely -- it just shows how necessary a legal training is, and how lamentable it is when you haven't got it -- the assigning and the confining and so forth we were suggesting should be done mainly by rate regulation. Of course, if there is some reason to think that a particular type of service for certain purposes would be grossly unsafe or a menace to public health or something like that, that is a different matter. But in a general way we were thinking about rates, and then if the shipper wants to pay a high rate for some reason and wants to have the stuff taken by llama, or people carrying it on their backs, all right, let him go ahead and do it.

MR HUME: Thank you, Dr. Forsey. I think I know what you mean.

(Page 7984 follows)

THE WITNESS: There is a barbed edge in that.

CROSS-EXAMINED BY MR O'DONNELL:

Q. Just two questions, Dr. Forsey. On page 3 of your brief, paragraph 7, where you say:

"A great deal of this debt has now been transferred to the general public debt, where it properly belongs",

I take it the reference there is to the adjustments which were made in consequence of the Capital Revision Act of 1937?

A. Yes.

Q. And just one other question, with respect to this paragraph 4 on page 2; the principle which you enunciate there, I take it, you would hold is still good with respect to intraprovincial traffic, but as a political realist, I think you put it, you felt it was hopeless to expect that the provinces would be willing to forego what rights they had?

A. Yes.

Q. Or to co-operate sufficiently closely to make it effective?

A. Well, I suppose they might conceivably co-operate. I am perhaps a little pessimistic about that, but my answer would be yes.

Q. But if it were possible to have them agree, then ideally speaking that would be the arrangement that you would be for?

A. Yes.

Q. Thank you.

CROSS-EXAMINED BY MR SINCLAIR:

Q. Dr. Forsey, dealing with ancillary enterprises of railways, I assume that you would include their investment

in the railway, fixing the return; that would be taken into account in fixing the freight rates, if you were going to take in their revenues; is that correct?

A. Would do which?

Q. You would take in the investment of the ancillary enterprises into the railway investment, if their income was going to be taken into account, in fixing rail rates?

A. I should think you would have to.

THE CHAIRMAN: Thank you very much.

COMMISSIONER INNIS: Q. I was wondering, Dr. Forsey, whether you had ever prepared any memorandum suggesting improvements in the conciliation machinery; you mentioned that you had improvements to suggest?

A. Well, we think it takes very much too long, but the problem of shortening the thing, or in fact even the problem of getting the existing law obeyed to the letter, is an exceptionally difficult one, even with the best will in the world. My experience of conciliation boards, both as a member of them and as a witness before them, has been that on the whole the Dominion and Provincial Departments of Labour do do their best to live up to the terms of the Acts now and to proceed with as much expedition as possible, but that it is very difficult to do so. We think the thing ought to be shortened, but I have never discovered a foolproof way of shortening the period. You can write a shorter period into the Act, as I think they have done in British Columbias and still not be too successful. And of course in the case of the Dominion Boards you are faced with extra problems because of the time it takes to get from one place to another and that sort of thing. With a provincial board you may be able to shorten the time in fact as well as on paper more easily than you could with a Dominion Board. I don't know; it seems to me a very

difficult problem. Mr. McGuire may have some more specific suggestions there, but I have found it a very baffling one, because I know of cases where I have been a member of the Conciliation Board myself, and have had the strongest private as well as public reasons for wanting to hurry the thing on, and I found it often quite impossible even to live up to the specific terms of the Act.

THE CHAIRMAN: Thank you, doctor.

MR COVERT: Now Mr. McGuire is here, and I think there were three questions that were asked.

J. E. McGuire, Called.

EXAMINED BY MR COVERT:

Q. Mr. McGuire, what is your position?

A. National Secretary-Treasurer, Canadian Brotherhood of Railway Employees.

Q. What Railway Brotherhood is it?

A. Canadian Brotherhood of Railway Employees and other Transport Workers.

Q. Now, Dr. Forsey intimated that there were a few questions that you could answer better than he could. I think one of them was the number of truck drivers or operators in this organization, the Canadian Congress of Labour?

A. Probably we would have in the neighbourhood of approximately a thousand. You are referring to freight motor truck drivers, I presume?

Q. Yes.

A. Well, it would be in the neighbourhood of a thousand drivers.

Q. In the neighbourhood of a thousand drivers?

A. Yes. We are taking them into the organization

now, as the railways extend their influence over competing services, highway motor transport services. Particularly in western Canada, at the present time the companies are buying up the highway motor transport companies and taking them into the railway organization.

COMMISSIONER ANGUS: Q. Are the truck drivers in your membership railway employees, all of them?

A. No, not all railway employees. As a matter of fact, a number of these people are employed by cartage companies who are agents of the railway companies in cities such as Winnipeg and Toronto, in the larger centres. The railways in a number of cases have taken over these cartage companies under this new pick-up and delivery system, where the railway picks up the goods free of charge and delivers it at the destination free of charge, providing it is in the pick-up and delivery zone, but in other areas where the pick-up and delivery system is not in vogue the practice has been to give this work out to private companies, and we have organized the employees of those companies. Then we have gone beyond that and we have organized the trucking companies who are in competition with the railways, seeking to bring about by a collective bargaining process some degree of uniformity and to eliminate the cut-throat competition that exists in the transportation world.

MR COVERT: There was one question, Mr. Chairman, that you asked Dr. Forsey, in discussion with respect to wages, if the railways contend that they are bearing the burden of national policies and are thus unable to pay wages that are asked.

THE CHAIRMAN: The question is whether they are or not?

MR COVERT: Yes; you asked if the railways did contend this.

THE CHAIRMAN: Well, one of the railways is a Government railway, and we know what happens; there are deficits. Perhaps it would apply to the other one.

MR COVERT: My recollection, sir, was this, that during the process of the questioning Dr. Forsey said that the employees should not bear the burden of these national policies, and the question arose as to whether or not during negotiations they said, "Well, we can't pay wages because we have freight rates"---

THE CHAIRMAN: Yes, I did ask that question.

MR COVERT: And you asked if the railways did ever actually say this during negotiations, and Dr. Forsey suggested that Mr. McGuire perhaps could tell us.

THE CHAIRMAN: That would be in a case where negotiations were going on about wages, between the railway and its employees.

THE WITNESS: And just what is the question, Mr. Chairman?

THE CHAIRMAN: Q. The question is whether in those cases the railways have ever said, "Well, we can't can't pay you what you want because of the burden we are carrying; we are not making enough money; we are suffering a loss in certain regions, and so on"?

A. Oh, yes. Well, I have heard that argument from the railway managements now for over thirty years in negotiations, where the railways claimed inability to pay because of burdens, economic burdens, which the transportation systems were obliged to carry. Of course, that is common knowledge throughout Canada, the number of economic burdens which railways are obliged to pay because of apparent public policy. I remember very distinctly of one railway being taken over by the Canadian National. It was known as the Quebec, Montreal & Southern. It ran between

St.Lambert on the southern end of Victoria Bridge and Sorel, then down to St.Hyacinthe and south to Noyan Junction. I think it was on October 1st, 1929, that railroad was taken over at a cost of four and a half million dollars to the people of this country. I went down on the gas car that travelled over this line on the 1st of October, the date it was officially taken over, and I could not see the rails, I could not even see the fence, for the hay that was growing up along the right of way. Shortly after it was taken over the line between Sorel and St.Hyacinthe and Noyan Junction was abandoned, leaving only the line between Montreal and Sorel. Then highway motor transport traffic developed, competition developed to such a point that it made even that line uneconomical, and that cost us as taxpayers four and a half million dollars. That is one of the contributing factors in relationships between the railway managements and the organization representing the workers when it comes to negotiating what is considered to be fair and equitable and reasonable wage rates and working conditions. These various factors, these burdens carried by the railway companies, naturally have a bearing on the attitude of the railway managements in dealing with a problem, a wage problem, and there is something that probably will have to be worked out by some other process.

MR COVERT: Q. There was just one more question; that was whether or not the Canadian Congress of Labour had any special ideas with respect to abandonments of railway lines, loss lines for example, lines that were losing money?

A. It is a problem that requires a lot of thought and requires a lot of research, that is, as to what lines should actually be abandoned, whether there is justification from both the standpoint of economical operation and

of the public interest to abandon certain lines.

Q. Mr. McGuire, has the Congress ever opposed any abandonments?

A. Not to my knowledge, of any specific lines. Where application is made by any one of the railway companies to the Board of Transport Commissioners for authority to abandon its service, I have no recollection of the Congress ever making any protest to the Board of Transport Commissioners.

MR COVERT: I have no further questions to ask.

THE CHAIRMAN: Any questions? (No response).

Q. I have just one question. A while ago I was asking Dr. Forsey, about the meaning of what is contained in paragraph 4 and the first part of paragraph 5, where it is said that each type of transportation should be assigned the task it can most economically perform, and then later on, "so that each type will be confined to its proper sphere." What I had in mind was this, that the other day the representative of another organization put it this way, that trucks for instance should not be authorized to operate along a route which is already served efficiently by railways; that is to say, he would confine trucks to other parts of the country where there is not already adequate transportation. Now, is that the thought that is in your brief too?

A. Well, Mr. Chairman, we know to-day by careful analysis that a motor truck has got a certain degree, a higher degree, of efficiency operating within a certain radius than what railway equipment operating on fixed roadbed could possibly have. In other words, the motor truck is a much more mobile unit of transportation. You can change its direcd without having to change its roadbed. But we do know that these trucks can operate,

can pick up goods and lay down goods within a certain radius, much faster and much more economically than they can be handled by rail. It seems only obvious to anyone who would give a moment's thought to it that if you are a shipper and you are shipping goods from Ottawa say to Richmond, Ontario, or to Smith's Falls, all within a radius of fifty miles of the city of Ottawa, that truck can pick your goods up at your door with one handling and lay them down at the consignee's door with one handling -- that is, two handlings -- whereas it takes probably six handlings when it goes by rail, when it is handled through a freight shed.

(Page 7994 follows)

We say this, that each unit of transportation should be confined to its sphere, the most economical sphere of operation in the public interest,- that if the truck can handle goods within that 50 mile radius more economically than the railway, then the truck should be used as an ancillary service to the railway, as a feeder to the railway. The railway should go into the trucking business. They should go out and acquire those trucks and use them for feeders to the other transportation systems of the country.

THE CHAIRMAN: Not as competitors?

No, not as competitors but realizing, as we do, that while the truck is a big factor in transportation, it cannot in this country take the place of the steam railway. We must maintain our steam railways for distance operations, we must maintain it for moving basic commodities such as coal, lumber, and so on. Trucks will never take the place of railways in that sphere, in other words, and therefore it is essential for us in the interests of the nation as a whole to maintain our steam railways as a unit of transportation and to have them acquire this trucking service as ancillary to them in order to maintain the whole body serving in a healthy condition, not to carry on this cutthroat competition which has existed between the various transportation interests of the country, all to the detriment of the public.

We take, for example, the movement of household goods. Most of us who have had anything to do with transportation realize that it is very doubtful if the movement of household effects will ever return to the steam railways for the reason that the modern trucking outfit today, handling household effects can back a van up to your door without the necessity for crating, move all of your household

effects out into the truck, handle them with extreme care and put them right into the rooms of the residents you are going to occupy at destination, and do that with two handlings. I have a very clear personal recollection of this, of moving from Ottawa to Montreal, on one occasion where I got a Warehousing Company in Ottawa to come to my house, take the goods out into their truck (that is one handling) move the goods into their warehouse (No. 2) crate^{them}, (3) put it into their vans to move it into the freight shed (4), out of the van into the freight shed (5), out of the freight shed into the box car (6), out of the box car into the freight shed in Montreal (7), out of the freight shed into the truck (8) and from the truck into my house (9) - nine handlings as compared to two. Obviously when you multiply the number of handlings you multiply the chances of damage. That is a type of service that I think the railways will never expect to get back.

Q. And you would not do anything to compel them?

A. I do not think so, because I believe that that is a type of transportation that best suits the needs of the public on that score, but I say that there are a number of things that are being handled today uneconomically by trucks over the highways of this country, that are creating traffic congestion conditions which could be eliminated if they were handled by rail, and I would say they could be handled more economically by rail, but a lot of Shipping Companies are doing a lot of things today merely to get business, get traffic, with the hope of building up a big business without regard to the economic loss that is being sustained and that is why we see so many trucking companies coming into existence and passing out of existence.

Q. Then do you think that railway employees are suffering through that condition in their wages?

A. Railway employees suffer to this extent, that business is taken away from the railways which they would be able to handle. In other words it would provide additional employment for railway workers.

Q. Does anybody else intend to question Mr. McGuire, because it is past adjournment-time? Finish what you were saying, Mr. McGuire.

A. The loss of business to these trucking companies obviously means a loss of employment in the railway industry and our problem today, of course, is the organization of workers in the trucking industry, particularly highway motor transport, with the object of bringing their rates up to rates paid on the railway, to comparable rates, to eliminate unfair competition. We have been unable to get provincial governments to take the action necessary. The Federal Government has been precluded from doing so, and so our only hope is to organize the employees of these various interests with the object of negotiating wage scales comparable to the railway people.

Q. Mr. Covert, is there any reason why Mr. McGuire should be asked to come back again?

MR. COVERT: No.

THE CHAIRMAN: Thank you, Mr. McGuire, we will adjourn now.

The Commission adjourned at 4.50 p.m. to meet again on Thursday, November 10th, 1949, at 10.30 a.m.

P.R.

Canada

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

NOV 10 1949

VOLUME

42

521182

23.4.S1



Presented to
The Library
of the
University of Toronto
by

Professor H.A. Innis

ROYAL COMMISSION ON TRANSPORTATION

| | <div style="text-align: center;">Index Page</div> <div style="text-align: center; border-bottom: 1px solid black;">#59</div> <div style="text-align: center; border-bottom: 1px solid black;">Page</div> |
|---|--|
| <u>SENATOR J. G. FOGO - Called. Examined by Mr. Fogo.</u> - - - - - | 7997 |
| <u>EXHIBIT No.114:</u> Brief of Algoma Steel Corporation Limited to Board of Transport Commissioners, dated June 16, 1948 - - - - - | 7998 |
| <u>EXHIBIT No.115:</u> Submission of Algoma Steel Corporation Limited to the Royal Commission on Transportation, dated November 1, 1949 - - - - - | 7998 |
| <u>EXHIBIT No.116:</u> Letter dated December 1, 1948, from C.N.R. and C.P.R. to Secretary, Board of Transport Commissioners - - - - - | 8008 |
| <u>EXHIBIT No.117:</u> Letter dated January 28, 1949, from Algoma Steel Corporation to Secretary, Board of Transport Commissioners - - - - - | 8009 |
| Cross examination by Mr. F.D.Smith - - - | 8038 |
| Cross examination by Mr.Frawley - - - | 8040 |
| Cross examination by Mr.Sinclair - - - | 8043 |
| Noon adjournment - - - - - | 8079 |
| <u>SENATOR J. G. FOGO - Recalled. Cross examination resumed by Mr.Sinclair.</u> - - - - - | 8085 |
| Cross examination by Mr. O'Donnell - - - | 8105 |
| Cross examination by Mr. Barry - - - | 8135 |
| x <u>MR. E. A. McCULLOUGH</u> Called - Examined by Mr. Frawley - - - - - | 8143 |
| x <u>MR. H.I. WILSON - Called. Examined by Mr.Frawley</u> - - - - - | 8143-A |
| <u>MR. E. A. McCULLOUGH - Recalled.Re-examined by Mr.Frawley</u> - - - - - | 8143-A |
| x Re Submission of Federation of Automobile Dealer Associations of Canada. | |
| Presentation of brief by Mr.McCullough - - | 8144 |
| Examination by Mr. Covert - - - - - | 8150 |
| Cross examination by Mr. O'Donnell - - - | 8153 |
| Cross examination by Mr. Hume - - - - - | 8156 |
| <u>HARRY I. WILSON - Recalled. Examined by Mr. Frawley</u> - - - - - | 8157 |
| Adjournment - - - - - | 8172 |

- - - - -

(See next page re index
of evidence heard in
French, November 8th)

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY

RECEIVED
JAN 10 1964

FROM
J. H. DUNN

TO
J. H. DUNN

RE
J. H. DUNN

DATE
JAN 10 1964

BY
J. H. DUNN

FOR
J. H. DUNN

ON
JAN 10 1964

AT
J. H. DUNN

IN
J. H. DUNN

OF
J. H. DUNN

BY
J. H. DUNN

ROYAL COMMISSION ON TRANSPORTATION

Index Page #60
Page

MAURICE LAMONTAGNE - Called. Examined by Mr.
Desmarais - - - - -

7720

Presented brief on behalf of Economic
Planning Council of Abitibi - - - - -

EXHIBIT No.108: Map of Basin of Lake Matagami -

7720

EXHIBIT No.109: Plan showing mining properties
in Chibougamau Area - - - -

7732

EXHIBIT No.110: Study by M.Lamontagne - - - -

7732

GILBERT LEBEL - Called. Examined by Mr.Desmarais.

7750

- - - - -

Transcript of evidence presented in French may be
found in today's volume following adjournment of
session this day.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

1955

1956

1957

RESEARCH REPORT

1958

ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
THURSDAY, November 10th, 1949.

THE HONOURABLE W.F.A. TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - - COMMISSIONER

HENRY FORBES ANGUS - - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary.

P.L. Belcourt,
Asst. Secretary.

- - - - -

COUNSEL APPEARING

F. M. Covert, K. C.)
G. C. Desmarais, K.C.) Royal Commission on Transportation

Hugh E. O'Donnell, K.C.)
H. C. Friel, K.C.) Canadian National Railways

F. C. S. Evans, K.C.)
I. D. Sinclair) Canadian Pacific Railway

J. J. Frawley, K.C.) Province of Alberta

C. W. Brazier) Province of British Columbia

F. D. Smith, K.C.) Province of Nova Scotia;
 Transportation Commission of
 the Maritime Board of Trade

J. Paul Barry) Province of New Brunswick

F. R. Hume)
M. L. Rapoport) Canadian Automotive Transportation
 Association.

R. Kerr) Board of Transport Commissioners

- - - - -

ROYAL COMMISSION ON TRANSPORTATION

Ottawa, Ontario,

Thursday, November 10, 1949

MORNING SESSION

THE CHAIRMAN: All right, Mr. Covert.

MR. COVERT: Mr. Chairman, the first submission is that of the Algoma Steel Corporation Limited, to be presented by counsel, Senator J. G. Fogo, K.C.

SENATOR J. G. FOGO, called

EXAMINATION BY MR. COVERT:

Q. Perhaps, Senator Fogo, you might tell the Commission your position with the company.

A. I am one of the vice-presidents and a director of the Algoma Steel Company. Shall I go on?

Q. Yes.

A. It was our intention in appearing before the Commission to place before it a brief which had previously been placed before the Board of Transport Commissioners, and which is dated June 16, 1948, and was filed in the General Freight Rates investigation of 1948. I believe it will be desirable to have it marked as an exhibit. It is referred to as the brief dated June 16, 1948. Together with that --

Q. Just a minute. May I give that a number. That will be Exhibit 114.

THE CHAIRMAN: That is the small one.

MR. COVERT: It is the one entitled "Algoma Steel Corporation Limited, brief to the Board of Transport Commissioners for Canada, re General Freight Rate investigation (1948)." It is dated June 16, 1948.

THE CHAIRMAN: Pardon me a moment. This is the

exhibit, is it?

MR. COVERT: Yes, that is correct.

THE CHAIRMAN: What is the number?

MR. COVERT: 114.

EXHIBIT NO. 114 -- Brief of Algoma Steel Corporation Limited to Board of Transport Commissioners, dated June 16, 1948.

THE WITNESS: There is also a supplement to this brief of June 16, 1948, dated November 1, 1949, which merely contains certain tables which were in the first brief, but applied to them is the subsequent 8% increase.

MR. SINCLAIR: What is the date?

THE WITNESS: Dated November 1st.

THE CHAIRMAN: Q. Senator Fogo, is this second brief addressed to this Commission?

A. Yes, Mr. Chairman.

MR. COVERT: It will be Exhibit 115.

EXHIBIT NO. 115 -- Submission of Algoma Steel Corporation Limited to the Royal Commission on Transportation, dated November 1, 1949.

COMMISSIONER ANGUS: Q. Is that the same brief we have here dated August 26th?

A. What year?

Q. 1948.

A. No, I take it that this is a supplement prepared since August, 1948, taking into account the subsequent increase of 8% as applied to the same tables. In other words, it replaces a supplement which was prepared for the Board of Transport Commissioners.

MR. O'DONNELL: Q. It replaces the one of August 26, 1948, which was based on the assumption there would be an increase of 15%?

A. Or 20%; I have forgotten.

Q. You are not filing that one.

THE CHAIRMAN: Q. This one no longer counts?

A. It is really no longer of any consequence.

Q. It is out?

A. Yes, and this is the one which I presume will become Exhibit 115.

MR. COVERT: 115.

THE WITNESS: Of which I think you have copies; it is in a yellow cover.

THE CHAIRMAN: Q. That is addressed to us.

A. Addressed to you, Mr. Chairman. The page numbering in Exhibit 115 corresponds to the page numbering in Exhibit 114 so that the tables are on the same numbered pages. I should like to call the attention of the Commission to an error in Exhibit 114 on page 12, which is Table No. 3 of Exhibit 114. In the lower right-hand corner, dealing with rail fastenings, the rates are given from Hamilton, Ontario, to Montreal. In the last two columns, the first two figures on the right-hand side under rail fastenings show \$5.98 and \$7.34, \$5.98 after the Maritime Freight Rates Act and \$7.24 after the 21% increase. Those figures are incorrect, I am informed, and should be \$4.60 instead of \$5.98, and \$5.57 instead of \$7.24. It will also be noted that in Exhibit 115 there are one or two corrections, but those have been made in pen and ink on the printed copies of 115.

MR. SINCLAIR: Q. What page?

A. They have been made.

MR. O'DONNELL: On page 12.

THE WITNESS: There is one on page 12; that may be the only one.

MR. COVERT: There is one on page 9.

THE WITNESS: One on page 9, from 31 to 32½,

and one on page 12 from \$6.60 to \$7.80. Those are made and I think will appear in the brief.

This Company appeared by counsel in the 30% case, so called, and presented a brief to the Board of Transport Commissioners which was substantially along the same lines and contained much the same information as appears in the brief dated June 16, 1948. The company did not appear in the 20% case, and the general freight rate investigation by the Board has apparently been deferred.

On all occasions on which it has appeared or made submissions, this company has conceded that it is necessary that railway earnings should be maintained at fair and reasonable levels and that increasing operating expenses would give rise to the necessity for increased revenue.

There has also been filed with the Commission a copy of a joint letter from the solicitors of the Canadian National Railways and the Canadian Pacific Railway to the Board of Transport Commissioners dated December 1, 1948, commenting on the Algoma brief and a letter from Algoma to the Board in reply dated January 28, 1949.

It was pointed out that the primary iron and steel industry in Canada consisted of three major plants widely separated in distance from the principal Canadian market, that it was a competitive business and the competitive position was closely dependent on transportation costs. It was therefore essential from a national standpoint that if such industries were to prosper they must not be prevented from reaching profitable Canadian markets with their products. To this end, objection was taken to the application of general percentage increases of freight rates applicable to the long haul

and relatively low value products, and it was urged that wherever such percentage increases were imposed they should be subject to maximum limitations.

The Board in the 21% decision (pages 57, 58 and 65) rejected this proposal and seemed to indicate that in their view the only method by which increased revenue could be obtained was by the granting of the straight percentage increase. In the 8% decision of September 20, 1949, the Board stated it was not in a position to give a final determination in respect of horizontal increases pending the outcome of the general freight rates investigation ordered under P.C. 1487 of April 7, 1948, hence no relief was provided. In the interim period, on September 15, 1948, the railways of their own motion increased certain competitive rates applicable to iron and steel products by 15%, thus further aggravating the already serious disturbance of competitive relationships.

Whatever may have been the practice of the Board in earlier years, they apparently are of opinion at the present time that their power under The Railway Act to take into account competitive or economic features of industrial concerns is circumscribed and that they have no responsibility for the preservation of competitive relationships even where these are governed by the cost of transportation. It is left entirely to the railways through adjustment in the commodity rate structure to allow the products of any industry to reach available markets on a competitive basis. It is left to the railways to decide the capacity of iron and steel producers to reach Canadian markets not necessarily on approximate equality of terms but even on terms which will permit them to continue to ship and absorb their

existing handicaps.

The magnitude of the problem so far as Algoma is concerned may be gathered from a perusal of the printed brief dated June 16, 1948, which is submitted herewith. In a summary way it may be said that this company is one of three primary steel producers in Canada, having an integrated steel plant at Sault Ste. Marie, Ontario, producing pig iron, slabs, billets, rails and fastenings, sheet piling, structural shapes, merchant bars, light rails, grinding balls, and coke and by-products. It is the largest producer of by-product coke and pig iron in Canada. Its current annual production for shipment by rail amounts to approximately 850,000 tons of iron and steel products, and about 200,000 tons of coke and by-products. Estimated freight charges on outgoing and incoming traffic related to Algoma would amount to about \$6,000,000 annually. This figure does not include freight on the production of rails.

As appears also in the printed brief in more detail, the principal area of consumption of steel products in Canada has developed in a relatively narrow strip of territory extending roughly from Montreal and Three Rivers westward along the River St. Lawrence and Lakes Ontario and Erie to the City of Windsor. In that territory it is estimated that 90% of Algoma's production of pig iron, billets and bars must be marketed. At its nearest point, Toronto, the distance involved is 439 miles.

The principal competitors of Algoma are located at Hamilton, Ontario, and Sydney, Nova Scotia. The Hamilton plant is located practically in the centre of the consuming market. Movements from Sydney, Nova Scotia, into the market territory have been assisted since

1927 by the statutory provisions of the Maritime Freight Rates Act, and by the maintenance of advantages that existed prior to that enactment.

A comparison of freight rates on steel bars from Sault Ste. Marie and Hamilton respectively to ten representative shipping points in this territory, which appears on Table 1, page 9, of the printed brief, discloses that the average rate advantage of Hamilton over Sault Ste. Marie prior to April 8, 1948, amounted to \$3.73 per net ton. In other words, to meet competition in this essential market on an even basis with Hamilton, Algoma would have to absorb, prior to the increases, \$3.73 per net ton. This was a relationship which had been in existence for over twenty years and was in existence at the time when the present Algoma company was reorganized in 1935.

General freight rate increases applied horizontally and without the imposition of any maximum increases on long hauls necessarily widen the preference or rate advantage of Hamilton and thereby tend to cut off Algoma from the principal consuming part of the Canadian market.

The result of subsequent general increases in 1948 and 1949 has been to increase the Hamilton competitor's average rate advantage in this territory to \$5.07 per net ton. That is, from \$3.73 per^{net}/ton to \$5.07. This is the cumulative effect of the 21% and 8% increases ordered by the Board together with the action of the railways in increasing certain applicable competitive rates by 15%.

A few specific examples of the effect of these increased tariffs on bars will show the actual present position as compared with the previous position.

| To: | <u>From Sault Ste. Marie</u> | <u>From Hamilton</u> | <u>Present Dif- ference</u> | <u>Difference Before Increases</u> |
|--------------|--------------------------------------|--------------------------|-------------------------------------|--|
| London | \$10.40 | \$ 4.40 | \$ 6.00 | \$ 4.80 |
| Toronto | 9.00 | 2.60 | 6.40 | 4.90 |
| Peterborough | 10.80 | 6.20 | 4.60 | 3.80 |
| Montreal | 9.80 | 7.60 | 2.20 | 1.10 |

In the last case it will be noted the difference is double.

Similarly, existing competitive relationships with Sydney have been disturbed. For example, prior to the increases, bars from Sault Ste. Marie to Montreal carried a rate of \$6.50 per net ton as compared with \$5.20 from Sydney, a disadvantage to Algoma of \$1.30 per net ton. The Sault rate has now become \$9.80 and the Sydney rate \$7.80, and the difference enlarged to \$2.00 per net ton.

In the case of shipments from Sault Ste. Marie and Sydney to Sherbrooke, the rates have been increased from \$9.50 and \$6.80 respectively to \$13.80 and \$8.80, the spread having been increased from \$2.70 to \$5.00 per ton, or a further disadvantage of \$2.30 per ton.

To Quebec, Sydney's rate has been increased from \$5.20 to \$6.60, and the Sault rate from \$10.80 to \$14.00, a difference of \$5.60 increased to \$7.40 per ton. It may be of interest to note here that the distance from Sydney to Quebec is 818 miles, whereas the mileage from the Sault is 769.

From the foregoing it is evident that the ability of Algoma to reach these markets in the future has been seriously endangered by this additional burden. The ever-widening of the gap between rates applicable to competing products is rapidly reaching the point where

it will prevent the movement of Algoma products into this territory by rail. This being so, the actual result in the long run to the railways, it is submitted, will be less freight rather than more, and a decrease in revenue rather than an increase. The effect on Algoma and the community and people dependent upon it for their livelihood will be even more serious.

In the several submissions of this company to the Board it has been urged that the practice adopted by the Interstate Commerce Commission in the United States of preserving so far as practicable existing relationships between iron and steel producers should be followed in Canada. This principle was endorsed by the American railroads themselves in their petition in the proceeding known as Ex parte 162 and was reflected in the decision of the I. C. C. on that application. In the United States the railways recognize that it is in their interest and in the interest of the country generally that such an important element in the national economy as the iron and steel industry should not be unduly hampered by excessive freight charges from meeting competition in available markets.

It has been suggested that in respect of iron and steel products any increases required should be applied equally to the rates existing prior to April 1948 which would in effect preserve exactly the competitive position. While this might involve, and probably would, an excessive increase on the short haul rates in order to equalize the increase, the net result should be the same so far as the railways are concerned. That is in dollars.

THE CHAIRMAN: Q. At the beginning of that paragraph you say, "It has been suggested", and so on.

Who is suggesting this?

A. I believe it was suggested to the Board by the Dominion Steel & Coal Corporation in its brief. I think I recall that there was some examination of Mr. Forsyth on the subject by counsel or one of the commissioners.

Q. We will come back to that.

A. I was saying if this were possible it would probably result in the same revenue so far as the railways were concerned.

To such extent as this might be affected by competition of other forms of transportation, it emphasizes the need for jurisdiction over freight rates of competing forms of transportation. If this be not practicable for other reasons, the effects of horizontal increases could be cushioned to a degree, it is submitted, by the imposition of maximum increases on long haul traffic of iron and steel. It is not an answer to this proposal, we believe, that such limitations would impose a greater burden on other commodities and the public at large. The rate structure already recognizes that certain forms of traffic must necessarily bear heavier rates and it is merely a question of distribution of the revenue required.

It is further recommended to this Commission that the Board of Transport Commissioners should have more effective control over commodity rates and should have the power and duty to examine and review all such rates with a view to preserving conditions in an industry which enable its products to move freely to available markets; to consider the effect of proposed changes on the movement of traffic; and to preserve commodity rate relationships which have been established and under which industries have developed.

Under the jurisprudence of the Board, if not the provisions of the Act, the Board has consistently refused to weigh economic or geographic factors, or the factors I have referred to in the preceding paragraph, in considering the reasonableness of proposed rates. In our submission the Board should have and exercise wider supervisory power over freight rates generally, and where necessary to consider the effect of geographic or economic conditions to such extent as is consistent with the maintenance of revenue earning traffic.

It is further submitted that such amendments to The Railway Act as are necessary to clothe the Board with these powers should be recommended. If the Commission is satisfied that the Board now has all necessary powers for this purpose, it is respectfully suggested that the situation would be clarified by a declaration to that effect.

All of which is respectfully submitted.

That is the submission of the company, Mr. Chairman.

MR. COVERT: Q. Senator Fogo, will you take Exhibit 114. On page 1 of that exhibit you have a summary of the brief to be presented to the Board of Transport Commissioners?

A. Yes.

Q. You point out there are three primary steel producers in Canada, and that Hamilton has the short haul and is favoured with truck competition. Then you compare your position with them, and presumably you say that you are under an economic or geographic disadvantage?

A. That is correct.

Q. Now, the railways in their letter of December 1, to which you refer -- that was their letter to the Board

of Transport Commissioners which you have filed with the Commission -- on page 7 of that letter allege that you have a preferred location with respect to iron ore deposits, and that you must have recognized the advantage of location when you placed your plant the way you did. They say that therefore you cannot now properly complain of freight rates to your markets based on any disabilities of your location. That is the gist of their argument?

A. Yes, I think that is correct. I am not subscribing to that, but I think your statement of what they said is correct.

Q. My understanding of your reply to that letter, which was also filed with the Commission --

MR. O'DONNELL: Would it not be advisable to give those two letters exhibit numbers so that we may all know what they are.

MR. COVERT: It can be done, Mr. Chairman.

THE CHAIRMAN: Is there any objection to that?

MR. COVERT: None at all.

THE CHAIRMAN: What are the two letters, from whom to whom?

MR. COVERT: They are quite lengthy letters. I think the railways both have copies of them. There is one dated December 1, 1948, from the Canadian National Railways and Canadian Pacific Railway Company, addressed to the Secretary of the Board of Transport Commissioners. It is eleven pages long and is signed by Mr. Maunsell on behalf of the C.P.R., and by Mr. Dysart on behalf of the C.N.R. That letter will be Exhibit 116.

EXHIBIT NO. 116 -- Letter dated December 1,
1948, from C.N.R. and
C.P.R. to Secretary, Board
of Transport Commissioners.

There is a further letter from the Algoma Steel Corporation Limited dated January 28, 1949, addressed to the

Secretary of the Board of Transport Commissioners.

MR. SINCLAIR: What is the date of that one?

MR. COVERT: January 28, 1949. That will be Exhibit 117.

EXHIBIT NO. 117 -- Letter dated January 28, 1949, from Algoma Steel Corporation to Secretary, Board of Transport Commissioners.

THE CHAIRMAN: That letter is sent by whom?

MR. COVERT: That is sent by the Algoma Steel Corporation to the Secretary of the Board of Transport Commissioners and refers to the letter from the railways to the Board.

(Page 8015 follows)

Q. I wanted, if I could, to put to Senator Fogo that in the reply from Algoma -

THE CHAIRMAN: Pardon me, Mr. Covert, what was the gist of the first letter?

MR. COVERT: The gist of the first letter as I tried to put it to Senator Fogo was that the railways said that Algoma had built their plant at Sault Ste Marie, that they had a preferred location with respect to iron ore deposits, and that they had recognized advantages. They built the plant there because of that and that they could not now properly complain of freight rates to markets based on the disabilities of the location, and I believe the gist of the reply, as far as the point that I want to bring up Mr. Chairman, was that Algoma in effect said that they got into the market on the basis of certain rates and were prepared to accept the disadvantages that then existed but they say that now these disadvantages have been increased by horizontal increases.

A. That is partially the answer, Mr. Covert.

THE CHAIRMAN: Well, when did you go into this location knowing what the freight rates were?

A. I was going on to say, my lord, that I think the more substantial part of the answer is what is suggested by your present question, namely, that we went to Sault Ste Marie and established an industry there, in approximately - I say "we went" but the industry was established in approximately 1902, and at that time market conditions in Canada were quite different from what they are today. The plant, I believe, was originally built with a view to making principally steel rails, which were then in great demand for the extension of railways across Canada westward, and it was also expected in those days, I believe, that the industrial development of Canada would not be confined in

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

the small area between Montreal and Windsor to the degree that it has developed there. So that changed conditions in that respect have had quite an effect on the market conditions in Canada apart from what Mr. Covert has said.

Q. What were the comparative freight rate conditions of those years?

A. In 1902, my lord? I am afraid I cannot go back that far.

Q. What I mean to say is that the question Mr. Covert was putting to you or what is contained in this correspondence is that you went in there knowing the conditions. Now, your answer is that in so far as freight rates are concerned conditions have been altered unfavourably to you?

A. I would think that correct, my lord, although I have no exact information on the rates.

Q. You say they have been in the last few years?

A. Exactly. Of course there was a comparatively stable period, shall I say, between 1927 and 1948 in which time there were no great changes, no general changes which affected our comparative position, say with Hamilton, for example.

Q. That is in freight rates?

A. In freight rates. In the period I think it would be safe to say between 1927 and 1948 there were no changes.

COMMISSIONER INNIS: Your advantage with reference to Western Canada has pretty well disappeared?

A. That is correct, sir.

THE CHAIRMAN: By reason of what?

A. Two things. First, that the market in Western Canada has not developed to the degree that might have been expected in 1900 or 1902, and the other thing is that in the movement of our commodities westward we are in a

zone with Hamilton. This might not be a technical discription but we are in the same zone as Hamilton and carry the same rate to Fort William.

Q. Although the distance is shorter?

A. Oh yes, my lord. In our brief at page 13,-in the brief that is exhibit 114 there is a comparison of the distances and rates to Winnipeg at page 13, my lord.

Q. Yes, I have it.

A. It will be noted that the expression there used is "Class rates". I am instructed that in certain commodity rates there are some competitive rates which were put in by the Canadian railways to meet the routing through the United States to Western points, but the class rates do give you the general picture, that is, that our rate westward is quite a different thing. On the other hand the volume of business westward is relatively small, that is page 13 of Exhibit 114.

MR. COVERT: Now, would you turn to page 3, that is the Arabic 3 not the Roman.

THE CHAIRMAN: Page 3 of which exhibit?

MR. COVERT: Page 3 of Exhibit 114, Mr. Chairman. Now, in the introduction or the summary of the brief it appears in Roman numerals, and then that goes on to page V, and then it starts in Arabic numbers and it is page 3 of the second group I am referring to.

MR. O'DONNELL: What page is that Mr. Covert?

MR. COVERT: Page 3 of the brief Exhibit 114.

THE CHAIRMAN: What part of page 3 is it?

MR. COVERT: Dealing with the Order-in-Council with reference to P.C. 1487. Now what I want to suggest to you is that the important part of that Order-in-Council, in so far as you are concerned, is the part where it says that there is to be an equalization but then, I suppose,

the argument of the railways is that there are different circumstances - the circumstances are not similar at all?

A. Well, of course the language is "Equalization to the fullest possible extent", Mr. Covert.

Q. And under substantially similar circumstances?

A. Right.

Q. Now, what I want to find out is, are you suggesting by virtue of the jurisprudence of the Board, that they are limiting themselves in any way, and perhaps the result of this Equalization Order would be the same as the previous one in 1925, P.C.886, where in effect the Board held that they were not able to do much about equalization? I want to find out if that is your suggestion.

A. Yes. We have not at any time suggested that freight rates should be used to equalize our costs of production in any way. I just want to clear that out of the way. If disadvantages might exist in that regard they are a separate matter, but in so far as freight rates are concerned we believe that it would be to the benefit of the country and of the railways, and of ourselves, if a means could be found of equalizing rates to such a degree that we could continue to get into the markets. Now as I say in the brief, it does not appear sensible to say that the rates should be exactly equal from varying points in the country; I doubt if you can go that far.

MR. SINCLAIR: I am sorry, Mr. Covert, but I find it very difficult to hear.

THE CHAIRMAN: Yes, the acoustics here are very difficult.

MR. SINCLAIR: Not only can we not hear the witness, my lord, but we are finding it very difficult

this morning to hear the Commission Counsel.

THE CHAIRMAN: Yes, I know.

THE WITNESS: I think I finished what you asked me.

MR. COVERT: You will have to speak louder and I think you will have to speak that way.

A. You will excuse me for turning my back?

Q. Yes. My point was whether there was a suggestion in your brief?

A. I see what you mean. I think perhaps there is a suggestion there, Mr. Covert, that the Board in the past has not found itself able, put it that way, to do the things which is intended in P.C.1487, or that paragraph of P.C.1487. As you have said, the same Order-in-Council or at least, ^{the} Order-in-Council in 1925, contained the same paragraph and the result was not as might be expected.

Q. In other words they have found that there have been differences or substantially dissimilar circumstances and conditions. Is that a fair statement?

A. Well, I am not familiar with any finding that the Board has made in respect of that difficulty. I would not venture to say that the Board has found anything in regard to that paragraph - I don't know. We do know that the Board has not equalized the rates and whether they refuse to do it for this reason or that reason I couldn't say.

THE CHAIRMAN: Now you are aware of the fact, are you not, that the Board has now been directed to achieve equalization?

A. Yes, my lord, but as I understood the question of counsel, it was whether I was suggesting that even with this direction the Board would not do it as they had not done it after the 1925 direction which was to the

same effect. Is that correct?

MR. COVERT: Yes.

A. What he was asking me was if there had been a finding that it could not be done or something to that effect, and I do not know whether there was any such finding.

THE CHAIRMAN: Did the Board say anything on that occasion, Mr. Covert, that it could not equalize?

(Page 8025 follows)

MR COVERT: That is my understanding, Mr. Chairman, that that has been the situation, that the Board has always found that there were dissimilarities in the circumstances between the east and the west, for example, and that was one of the reasons that there could not be complete equalization, and there is a striking similarity between the Orders in Council passed in 1925 and the one that was passed in 1948.

THE CHAIRMAN: Yes. Well, of course, the Act itself in section 314 says that there shall be equality of treatment; then it also says "under substantially similar circumstances and conditions". Now, that is the obstacle, I suppose, to equality, that the Board has said that the conditions are not similar in the various areas of the country. Is that the idea?

MR COVERT: Yes.

THE CHAIRMAN: Well, that is the only kind of equalization called for by the Act.

MR COVERT: That is the only kind of equalization that can be called for under the present Act; and what I wanted to find out from Senator Fogo was if he was suggesting by the quotation of the two that there should be an amendment to the Act in that respect. That was what I was leading up to.

THE WITNESS: Well, all that this was inserted in the brief for was to point out that our suggestion as to limitation would be in conformity with the Order in Council and not against it; in other words, that what we were asking the Board to do would tend towards equalization rather than against it, and we did not suggest just how that would be arrived at, but what we are saying is advocating the imposition of maximum limitations on basic commodities. We were suggesting an act of equalization

rather than otherwise, and that it would be in conformity with the Order in Council if this were done. I think that is as far as we have gone.

MR COVERT: I was going to suggest to Senator Fogo, Mr. Chairman, that, after all, Exhibit 114 was addressed to the Board of Transport Commissioners.

THE WITNESS: That is correct.

MR COVERT: And that he might not be able to make the same argument to them that he could to this Commission. After all, he was trying to show them that under 1487 they were directed to bring about equalization, and I just wanted to know if he had in mind discussing it from a different viewpoint here.

THE WITNESS: Well, there may be some implication there, but I do not think it so states.

THE CHAIRMAN: That is, there may exist certain circumstances and conditions which would prevent equalization under the present wording of the section -- that is the idea -- and the section might profitably be amended.

THE WITNESS: I think we were alleging inequalities, my lord, that we thought out to be ironed out.

THE CHAIRMAN: Q. Well, of course, then, it is a question of whether there are circumstances and conditions---

A. Which would justify it.

Q. ---which come along and prevent equality.

A. Or favour it.

Q. Or make equality consist of something that on the face of it does not look like equality. You intend to make a case for the Board in that respect?

A. Well, if and when the general freight rates investigation goes on, my lord, I presume we will appear in support of the brief that we have submitted to you.

Q. Yes, but that investigation is directed to the bringing about of equality.

A. Yes, I understand -- to such extent as that is possible.

Q. Yes, under the terms of the Act as they now are.

A. Yes, of course. Well, I suppose counsel's question to me was perhaps as to whether that was possible under the Act as it is at present, but I think your lordship has cleared that up.

Q. Whether the Act should be amended?

A. Yes, my lord.

THE CHAIRMAN: Very well, Mr. Covert.

MR COVERT: Q. Now, at the bottom of page 6 and the top of page 7 you quote, I believe, from the Zwicker case; that quotation is a quotation from the Zwicker case?

A. Yes, I believe that is correct, Mr. Covert.

Q. Do you suggest that Algoma comes directly within that quotation:

"The ultimate test of discrimination is to be found not in difference of rates but in the question whether as a result of this difference an injury is worked to an individual or locality."

A. Well, yes, in the sense that we feel that the result of these two increases has been to impose a prejudice or an injury to us, in that sense of the word, and to confer an undue advantage on our competitor or competitors, particularly in the Hamilton area.

Q. Well, if that is so, what I was going to suggest was that it would seem that under the jurisprudence you have a remedy now before the Board of Transport Commissioners?

A. We are not at all sure that we have. The Board

has consistently refrained from defining unjust discrimination, if I may say so, and they have mentioned a good many things that will not constitute unjust discrimination and a great many things that they will not take into consideration. We would think that this would constitute a proper case within the Act, but it is doubtful whether under the decisions they would so consider it. If they are not going to take into consideration certain things, if they are not going to consider for example the competitive relationship of the companies in the matter of discrimination, we would probably not succeed. In other words, Mr. Covert, I am saying that so far as we can see the remedy provided by the Act to shippers under that relevant section is not a very practicable one from our standpoint. As a matter of fact, no application has ever been made by this company under that section, so far as I can understand, and I do not know that many have succeeded who have applied to the Board under it. I have no record of the success or failure of applicants to take advantage of that section, but it would not appear very likely that you could succeed.

Q. Now would you turn to page 15 of the same exhibit, and in the third paragraph, starting about the middle, you say:

"Montreal is a heavy consuming point for iron and steel products."

I am sorry; I should have started before that. Previously you refer to the spreads, and you say:

"The spread is now $6\frac{1}{2}$ to 8c. At Montreal the handicap of Algoma compared with Sydney increased from $6\frac{1}{2}$ to 8c, rising sharply to points east. Montreal is a heavy consuming point for iron and steel products. From Algoma's standpoint it is difficult to

justify a rate structure and a method of increase which picks out one moderately distant producer and penalizes it in relation to both of the other producers in a single common market, one close, one farther distant. It results in Algoma being further handicapped and increases the advantage of both of its competitors."

Now, I suppose that that is really the crux or the highlight of your argument, is it?

A. You mean in this respect?

Q. Yes.

A. The point there is that the rates enable Hamilton to control the competition in the Montreal market.

Q. Now, the advantage that Sydney gets, I suppose that comes under or is due to the Maritime Freight Rates Act?

A. Only in part.

Q. Only in part?

A. Only in part.

Q. There is something additional to that?

A. Which existed prior to July 1st, 1927.

Q. So it is a combination of what you suggest, I take it, is a lower rate that existed, then, plus a 20% reduction under the Maritime Freight Rates Act?

A. That is correct. In the following paragraph, Mr. Covert, you will notice that we cite the per ton mile rates from Sydney compared with the Soo before and after the Maritime Freight Rates Act.

Q. Do you think a comparison of per ton mile rate, when you take it into consideration with distance, is a very fair comparison?

A. No, I do not think it is particularly fair. It is only used there to illustrate something. I suppose if

you take a per ton mile basis, then you have got to give full effect to the mileage in every case.

Q. In other words, there is usually a tapering with distance, anyway, which would over the longer haul make the per ton mile less?

A. It should make it less. I think that is the case in the rate structure.

Q. Have you read either the brief or the evidence presented by Mr. Forsythe in Montreal on behalf of Dosco?

A. Yes, I have seen the brief and I have perused the evidence, I don't know how carefully.

Q. He, if I remember correctly, attacked the horizontal increase, and he indicated how it benefited the Hamilton Company. Now, you take the same view, do you, with respect to the horizontal increase?

A. Yes, I think our view is substantially the same, as I remember the presentation.

Q. I would like to ask you, then, if you think that it is feasible to work out a rate which would give the railways what they say they need, the additional required revenue, on the one hand, and not disturb the differential or competitive position between the three companies?

A. I think so, yes.

Q. You think that such a rate could be worked out?

A. Yes.

Q. I suppose that would mean, would it not, adding very substantially to the rate of the Hamilton Company into say Montreal?

A. Yes, it would probably mean an increase, a slightly greater increase, in the Hamilton rate to Montreal.

Q. Now, would that raise the rate to such an extent from Hamilton that perhaps on some of the products at

least they would lose it to trucks, truck competitors, the railways would lose the business? Do you know whether or not---

A. I am not really in a position to say, Mr. Covert. A great deal is said about truck competition, perhaps, by the railways as well as by others. How real the truck competition between Hamilton and Montreal is in respect of carload lots of steel I do not know. I would think there is some question whether or not it is as real as is sometimes suggested.

(Page 8033 follows)

I would think the water competition between Hamilton and Montreal is a much more serious item and, as a matter of fact, I understand the rate from Hamilton to Montreal -- if I am not correct some of the railway men can correct me -- the present rate from Hamilton to Montreal is to some extent, if not altogether, water compelled. I mean by that -- well, it is water compelled.

THE CHAIRMAN: Q. It is what?

A. It is a rate in competition with the water carriers. I am not sure of that, but I think that is true.

MR. COVERT: Q. Presumably there would be two ways to do this. They could lower the rate to Algoma or they could raise the rate to Hamilton?

A. Or both.

Q. Or both.

A. If you were applying an increase I suppose you would almost imagine that it would be a question of a greater or less increase, that everybody would pay more but one would pay more than the other, a distribution of the increase rather than a decrease on one and a greater increase on the other.

Q. Now, the three steel companies are all seeking practically the same market?

A. Yes.

Q. Then if the rate does affect that market then you are really asking the railways, if they adjust the rate, to determine which company gets such-and-such a share of the business in that market?

A. They do that now.

Q. That is what you say would be the effect of this --

A. I think it is fair to say by their control over commodity rates to-day they do determine whether or not

you do get into a market.

Q. Then what you say is that if they change the rates by a horizontal increase that they affect the people farthest away from that market?

A. Adversely.

Q. Yes. What you say is that the rate should be so adjusted that whatever the position has been over a period of years that should not be changed, or at least there should not be --

A. We do not go that far. We feel that there should be an attempt to cushion it or an attempt to mitigate the full effect of the horizontal increase. I believe there are reasons why you could not divide the increase equally, if you like, to take the simplest form. Certainly with somebody who is 15 or 20 miles away you could not ask him to absorb one-third of an increase, but we believe the system of imposing some limitation on the long haul would tend to preserve competitive relationships, rather than worsening them. What we are concerned about is the adoption of a system whereby our position is going to be constantly worsened if freight rates continue to increase.

Q. In other words, by a series of horizontal increases, for instance, your position gets worse and worse?

A. We could conceivably be priced altogether out of the Canadian market by freight rates. That is perhaps an absurd statement in a sense. I do not mean it is an absurd statement, but that is carrying the thing to absurdity, that we would be excluded altogether from the Canadian market, but if you carry horizontal increases on your gap continues to widen and you do come to a place where you cannot afford to sell in a given market, where

you cannot get the business.

Q. At page 21 of Exhibit 114 you say:

"The high freight rates on scrap are the greatest single factor that prevents Algoma from purchasing greater quantities and making more product for sale and for the railroads to carry."

THE CHAIRMAN: Where is that?

MR. COVERT: At the top of page 21.

Q. Does this mean if you could get scrap with a lower freight rate you could compete more readily with the others?

A. Yes.

Q. Even though they get reduced rates on scrap?

A. Well, I thought you were putting it to me if we could get reduced rates on scrap.

Q. No.

A. Everybody.

Q. Yes. You say it is the high freight rates on scrap.

A. I will put it this way. There are a number of elements that enter into that. One is that the supply of iron and steel scrap in the central area, for example, Hamilton, which has a lot of manufacturing plants making scrap right around it, means that if you are there you can buy scrap very cheaply relatively, and in many cases without any freight rate whatever. For example, a large part of the Hamilton scrap may not be carried by rail at all. Scrap is a pretty important factor in the manufacture of iron and steel. Roughly 25 per cent of the charge of your open hearth furnaces may consist of scrap.

COMMISSIONER INNIS: Q. How much of your scrap would come from the west?

A. We have got scrap in Winnipeg, and a certain amount from Michigan and the American states adjacent to us.

THE CHAIRMAN: Q. Who makes this scrap available to you? What people do you get it from?

A. It is purchased by scrap dealers from the various factories. The whole scrap business is really in the hands of people who are known as scrap dealers, and they in turn, I suppose, are in the hands of people who are known as junk dealers. It is a business in itself.

Q. They accumulate stocks of scrap?

A. They do, and in turn sell them to the steel companies.

MR. COVERT: Q. There are just two more questions of a general nature. Do you think that the Board of Transport Commissioners should be given broader powers to enable it to determine matters of general policy, and that they should be a sort of economic planning board.

A. No, I would not go that far. I think that the brief says it better than I can, or at least the statement I made this morning puts it as well as I could state it, that in so far as there is any doubt about the power of the Board to weigh these business factors, if you might call them that, we believe the Board should have that power, and that when the Board comes to the consideration of a rate, if you like the reasonableness of a rate, they ought to look at the position of the shippers who are going to be affected by that rate, and not merely at the question of how much money it will realize for the carrier.

THE CHAIRMAN: Q. You give us a quotation from the Board at the foot of page 6 of Exhibit 114. It has been read before. The quotation is:

"The ultimate^{test}/of discrimination is to be found not in difference of rates but in the question whether as a result of this difference an injury is worked to an individual or locality.

Is that a satisfactory test?

A. I am not sure it is for this reason, that the Board at the same time has consistently thrown out, if you like, or declared itself as not concerned with certain other factors. For example, the competitive relationship factor seemed to be consistently thrown out by the Board in considering the reasonableness of a rate.

Q. Suppose the Board was given additional powers, and it was made their duty to do what you suggest. Do you think that would eventuate in satisfaction to all concerned?

A. No, that sort of board has not been invented yet.

MR. COVERT: Q. I suppose if they did have these powers there would be practically the same difficulty of satisfying various industries as exists now?

A. Well, I will not go that far. I think there would be less difficulty in satisfying industries. I should think we will always have the subject of freight rates with us. I do not suppose the time will ever come when everybody, the railways and all the shippers, will be happy about all rates. Of course, there is the other side of it, that conditions will change. I think conditions do change and that problems develop with changing conditions. We may have here a problem which has arisen, so far as we are concerned, out of changing market conditions, certainly changed over a fifty-year period. .

THE CHAIRMAN: Q. Am I right in saying that it

appears, so far as we have proceeded, that your real objection is to the nature of the increases, the horizontal effect?

A. Yes, that is the narrow point.

MR. COVERT: And your suggestion is that the practice which you refer to as having been adopted by the I.C.C. -- I am not suggesting it is the only practice, but you say it has been done?

A. Yes.

Q. Of a limited maximum?

A. Yes, and not only in iron and steel but also in other basic commodities.

Q. Have you made a study as to how they do deal with steel plants in the United States, whether there are any special arrangements with respect to freight rates for the steel industries?

A. No, I have not made any study of it.

MR. COVERT: That is all I have to ask.

- - - -

CROSS-EXAMINATION BY MR. F. D. SMITH:

Q. There are just one or two questions I should like to ask you. I want to get in my own mind the position which you are taking in your present submission to the Commission. Do I understand from your evidence that you are confining your submissions to this Commission to two questions, one, the question of horizontal increases and the effect and impact of horizontal increases and, two, the question of the enlargement of the powers of the Board of Transport Commissioners?

A. Yes, and the two are to some extent inter-related.

Q. The various matters that are referred to in Exhibit 114 were intended for the consideration of the

Board of Transport Commissioners?

A. That is correct.

Q. Of necessity?

A. That is correct.

Q. And in your present submission you are dealing generally with the two questions to which I have referred and not with individual rates?

A. Well, shall I say this, Mr. Smith, that I believe what you say is correct, but if the Commission found anything that was useful in that brief, or were to adopt any suggestions that we have made in that brief, we would be pleased.

Q. You would be pleased, but your submissions are of a general nature in this brief rather than dealing with particular cases?

A. That is correct.

Q. You mentioned the rates from Sydney to Montreal?

A. Right.

Q. You pointed out in part the difference between the rates from Algoma was due to the effect of the Maritime Freight Rates Act, and in part to other causes?

A. That is correct, in other part to the difference which existed at the time the Maritime Freight Rates Act was passed.

Q. When it came into effect on July 1, 1927.

A. As we understand it, the relationship at that time appears to have been frozen by the effect of the Maritime Freight Rates Act.

Q. The part that was not affected by the Maritime Freight Rates Act was, in your opinion, due to water compelled rates, due to water competition?

A. I don't know that.

Q. I suppose that is a matter for the railways to

point out. You point out in your brief that generally the rates from Sydney to Montreal are lower than the rates from Sault Ste. Marie to Montreal?

A. That is correct.

Q. But that is not the case when you get farther west of Montreal, is it?

A. No, when you get to a point somewhere in the vicinity of Kingston, or in that area, they are practically equivalent.

Q. And then the Algoma rates, as your market gets farther west --

A. As you go westward in Ontario the Algoma rate would be lower. I don't know exactly where the breaking point is. I think it is somewhere in the vicinity of Kingston.

- - - -

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Senator Fogo, I understand you were calling the Commissioners' attention to the fact that the language of P. C. 886 of the 5th of June, 1925, which brought about the general freight rate investigation of 1925-27, was similar and almost identical with the language of P.C. 1487 under which the Board of Transport Commissioners is now conducting or about to conduct a general freight rate investigation?

A. No, Mr. Frawley.

THE CHAIRMAN: With a view to the equalization of freight rates.

THE WITNESS: No; Mr. Covert brought that to my attention.

MR. FRAWLEY: Q. Mr. Covert brought it to your attention, and you made some comment on it. I wanted to

read into the record the language of P. C. 886 so that it will be in a convenient place for the consideration of the Commissioners. I am reading from 33 Canadian Railway Cases. The report begins at page 127 and I am reading from page 131. The language to which I want to call the attention of the Commissioners is:

"The Committee therefore advise that the Board be directed to make a thorough investigation of the rate structure of railways and railway companies subject to the jurisdiction of parliament, with a view to the establishment of a fair and reasonable rate structure, which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities, so as to permit of the freest possible interchange of commodities between the various provinces and territories of the Dominion, and the expansion of its trade, both foreign and domestic, having due regard to the needs of its agricultural and other basic industries, and in particular" --

Then follow some special references to the Maritime Provinces and the traffic through Canadian ports.

I should like to call to the attention of the Commissioners the language of P.C. 1487 of April 7, 1948, which is the order in council of the Governor General in Council directing the present general freight rate investigation by the Board of Transport Commissioners.

"The Committee also observe that since decision was rendered upon the investigation referred to in the preceding paragraphs --"

That is the investigation ordered by P.C. 886, a part of which I have just read.

" --namely by judgments of the said Board of September, 1927, many changes have taken place in the economy of Canada and it is therefore advisable that the Board of Transport Commissioners for Canada be directed to make a thorough investigation of the rates structure of railways and railway companies which are under the jurisdiction of parliament, with a view to the establishment of a fair and reasonable rates structure which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities so as to permit the freest possible interchange of commodities between the various provinces and territories of Canada and the expansion of Canadian trade, both foreign and domestic, having due regard to the needs of agriculture and other basic industries."

You did make the comment, Senator Fogo, that no great degree of equalization had come from the 1925-27 investigation?

A. So far as I have been able to observe.

Q. And you did agree with the suggestion of Mr. Covert, or it may^{have}/been your own suggestion, that those words, namely, "under substantially similar circumstances and conditions" may have had a limiting and confining effect upon the Board in the 1925 investigation?

A. I would think that is correct.

Q. And precisely the same language is used, almost word for word, in the current P. C. 1487?

A. I might say in our brief at page 3 we cite that extract from the order in council for an entirely different purpose, merely to say that our submission that increases should be subject to maximum limitations

we believe conformed to the principle expressed in that order in council, and we also believed that the several steel companies in Canada are operating under substantially similar conditions.

- - - - -

CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Senator Fogo, it has been very difficult to hear you this morning.

A. Can you come nearer?

Q. It is my notes that are going to cause some trouble. I have it that you said that freight rates have altered to the detriment of our competitive position. Is that your answer in substance?

A. Yes. I don't know that I used those exact words, but if you mean since April, 1948, my answer is yes.

THE CHAIRMAN: Q. Would you pardon me a moment so that we will get the terrain located. If it had not been for the increase of 1948 do I understand you would not be here at all, or is your submission directed along this line?

A. I think that is perhaps fair in one sense although I don't know. We might have been here, but certainly we are here in respect of matters that have arisen out of the increases.

Q. And the form of the increases?

A. And the manner in which it was applied.

Q. It was in such a form that it disturbed the differential, made it harder for you than it was before. Is that it?

A. Yes, Mr. Chairman. There are other things mentioned in the brief to the Board of Transport

Commissioners which might have brought us here in any event.

MR. SINCLAIR: Q. Senator Fogo, can you tell me whether the rail rates now differ greatly from those of 1939 expressed as a percentage of the laid-down value of each of your commodities?

A. I don't know that I can --

Q. Would you mind getting that information for me and filing it with the Commission?

A. In respect of a commodity?

Q. Take your major commodities to which you refer in the brief, and take the market as being Montreal.

A. You mean in respect of Montreal say for bars, which is the item we use here mostly? I am trying to limit your inquiry; that is all.

Q. All right, and say steel billets. Give me four or five of the major products of your company.

A. I think we can get you that information. You mean just the relation between freight and the selling price?

Q. Yes. Now, freight is only one factor in cost?

A. That is right.

Q. Would you also give me on the same five items the percentage of all freight that enters into the articles, both raw materials inbound and finished products outbound, and relating to the cost of these same --

A. I will get this off the record if I may. You mean the percentage of freight entering into the manufacturing of the article, of the ton of steel, if you like:

Q. That is right.

A. On a laid-down basis?

Q. That is right.

A. I don't know how far we are expected to go in respect of giving you figures of that character. I think what Mr. Sinclair is asking for now is the portion of the costs of the company relating to transportation entering into the cost of a ton of steel.

MR. CHAIRMAN: I think Mr. Sinclair wants to know the freight cost both ways, in and out.

MR. SINCLAIR: That is right, and the percentage of that to the laid down cost of the five major products of the Algoma Steel Corporation.

THE WITNESS: I don't know --

THE CHAIRMAN: Q. You see possible objections to revealing that?

A. Yes. I do not see how it would be helpful to anybody here, and it would be a figure that we would not necessarily want to disclose.

THE CHAIRMAN: What have you to say, Mr. Covert?

MR. COVERT: I was going to suggest, perhaps to clear this up, that if it were something that might help a competitor I could see Senator Fogo's position, because the chairman of the board of his company is also executive director and first vice-president of the C.P.R.

THE WITNESS: No, no; Mr. Sinclair and I will both agree that is an incorrect statement.

MR. SINCLAIR: You are thinking of the Steel Company of Canada.

MR. COVERT: That is exactly what I mean. If it gave away trade secrets you might not want to do it.

MR. SINCLAIR: If Senator Fogo will give that information to me, as a solicitor I will keep it confidential.

THE WITNESS: It is one thing to supply you with

information confidentially. I think we might do that, but for the use of the Commission and the public is another matter.

MR. SINCLAIR: Q. The point is if you can express it percentagewise, I do not see how it is going to abridge anything that you might --

A. The percentage of the cost which is transportation.

Q. Maybe this will help the situation. I should like you to file that with the Commission and not send it to me, just file it with the Commission. There would be no objection to that.

(Page 8050 follows)

THE CHAIRMAN: What you want to know about is the percentage of cost which is made up by transportation inwards and outwards, or just inwards?

MR. SINCLAIR: 1939 compared to 1949.

THE CHAIRMAN: You want to know the percentage which the inward transportation bears to the total cost?

MR. SINCLAIR: That is right, sir, both in 1939 and 1949.

THE CHAIRMAN: What do you think of that?

A. I was just wondering what the value of it would be, my lord, in the sense of what do we mean by "Total Cost". Perhaps I should ask Mr. Sinclair that, what he meant by "Total Cost".

MR. SINCLAIR: All your cost of production. As long as you keep the same costs in 1939 as you do in 1949 -

A. Well, I don't know.

Q. It goes to the question--. I am directing it to your statement that you say that freight rates have altered to your detriment in your competitive position.

THE CHAIRMAN: Isn't it possible, Senator Fogo, that if the Board were given wider powers, that they might ask you to give this information then?

A. Yes, my lord. It is also possible that they would hold an inquiry in camera, my lord, in respect of dealing with the costs of a particular company, I should think.

Q. Yes In order then to act fairly among all the different companies they would have to know these details concerning each one?

A. Yes, but I don't think it would necessarily involve an interchange of that information. I don't know that I would want to go that far.

Q. Perhaps not, but you are willing to take the risk?

A. I should think so, yes.

MR. SINCLAIR: Well, do I take it, Senator Fogo, that you have no objection to filing it with the Commission, that you do not want it to become public, or do not want counsel to have it (and I am quite agreeable to that) but I would like it to be filed with the Commission if you would not mind.

THE CHAIRMAN: I suppose, Mr. Sinclair, your assumption is that what might come out would show that the advantage of the inward freight equals or overreaches the disadvantage of the outward?

MR. SINCLAIR: That is one thing, my lord. Another thing is that I think that the information will show that he is not in a position worse off now than he was before, because of the relative relationship of the laid down cost to the consumer.

A. That may be so, Mr. Sinclair, but we are not complaining of that.

Q. You will admit that that is so?

A. I won't admit that that is so but I say we are not complaining of that. What we are complaining of is the comparative position. You are directing yourself to our real position in 1939 and our real position in 1949. Now we are not here to complain about how much freight rate you are charging. What we are complaining about is that you are charging more one place than another, or you are charging us, if you like, on the same basis as somebody else which results in our comparative position being worsened. Now if I were here contending that the railways were charging too much for a given -

Q. I think we are at cross purposes. Didn't you say

that what you were complaining about was "The spread was increasing and the time might come when we could not sell in the Canadian market"?

A. You must understand me by "The spread"-I mean between what we have to pay and the other fellow has to pay. In other words the thing that affects the price on the other hand. When we cannot sell an article at a price comparable with our competitor obviously we cannot unless we absorb it.

Q. Then I expect your position has not worsened since 1939 a bit by the percentage increase, that the percentage of freight to cost, laid down cost -

A. As compared with what?

Q. As compared to any other.

A. What does it matter what our internal position is if our position vis a vis somebody else is affected?

Q. I would ask that the information be given to the Commission and in due course the matter can be argued. I do not propose to argue it now. I think my position is clear. I would ask that the witness supply that information. What argument can be made from it will develop in due course.

THE CHAIRMAN: Yes, I do not suppose there is much use in arguing in advance on what might be a situation on certain figures. The point is, should those figures be before us? I think Senator Fogo was thinking that over.

A. That is correct, my lord. If it were convenient that I could answer after lunch on that - There is one other statement I was going to make that there are three companies in this business, three major companies. It seems to me if the Commission is going to have this information in respect of our company, I would like to be sure that the Commission is going to have the same

information in respect of the other companies in the business.

Q. I was going to say, are all the companies involved before us?

MR. COVERT: Two have submitted briefs, and one has sent a letter in which they intimate they did not want to appear before the Commission, Mr. Chairman, but what I wanted to find out was whether the information from one would be helpful to the Commission.

MR. SINCLAIR: I asked the same information from the Dominion Steel.

MR. COVERT: If we had the same information from the three companies, we might be able to compare it because my understanding, from Senator Fogo's argument, is that it is the comparable position with the other industries, that he is complaining of. Is that not correct?

A. Yes, and what I am suggesting is that the information would be of use to the Commission or to counsel only if you had the figures of the other two companies.

THE CHAIRMAN: What I am asking just now is whether any of these different companies have not submitted any submissions?

MR. O'DONNELL: The third one has not.

MR. COVERT: The third one has not, the Steel Company of Canada.

THE CHAIRMAN: That is the Hamilton one?

MR. COVERT: Yes.

MR. SINCLAIR: It has filed a letter.

MR. COVERT: That is what I said.

THE CHAIRMAN: What is the purport of the letter? Are they asking for anything?

MR. COVERT: No, as I say Mr. Chairman, the unfortunate part about the letter is they were asked by the Secretary

whether they wanted to appear and they said they did not want their reply to form a part of the record. That is my understanding, so I do not know whether it should be read into the record.

MR. O'DONNELL: Then it should not be referred to at all, my lord, in my view unless these people come here and be examined on what they say. Sending telegrams or letters is not the way to deal with Commission business. If people have representations, I think they should come and be questioned, and if they do not intend to do that, then no reference should be made to any correspondence they might have had.

THE CHAIRMAN: But you see, the point is we are assuming that they are not here and that we are not to make any reference to their correspondence. Should we now proceed to endeavour to obtain from them the same information as Mr. Sinclair wants Senator Fogo to give?

MR. O'DONNELL: The Commission has power to subpoena, of course.

THE CHAIRMAN: Yes, we have the power but we should not do so. You say if we get it from you we should get it from all?

A. Yes sir. Moreover, I do not think it will be of any value, if I may say so, unless you have the other two.

Q. Perhaps you might be able to give us some further light on it this afternoon?

A. Yes sir.

MR. SINCLAIR: Now my note is, in answer to Dr. Innis you said that "Rate advantage to Western Canada has disappeared". Is that correct? You were referring to the blanket effect, that Hamilton has the same rate to Western points as the Soo. Is that correct?

A. I was saying we were in the zone on Western movement which is not the case on Eastward movement.

Q. You were saying that the blanket as a factor in the through rate does not apply both eastbound or westbound to Western markets?

A. I don't know what you mean by "blanket". I am not^{as} familiar with the terminology as you are.

Q. There is a zone, the Soo, Sudbury, through Montreal that has the same factor on a through rate but not from Western Canada. That is correct?

A. Yes, I understand that in movements from the Soo westward that we carry the same rate to Fort William as Hamilton, and from then on the rate from Fort William to the point of consignment applies. The rate is made up in that way.

Q. Now you said that has disappeared?

A. I don't recall having said disappeared.

Q. I am sorry, that is my note.

A. If I said it had disappeared, I was certainly wrong; I understand it is the case today -

COMMISSIONER INNIS: I think it was the market that had disappeared.

MR. O'DONNELL: Yes, the demand.

MR. SINCLAIR: That position of having a blanket in that area was in existence when your company located at the Soo. That is correct, is it not?

A. I would not know. Do you mean in 1902?

Q. Yes.

A. I don't know; I have no idea.

Q. Then if it was in existence when you chose that location and if that did prove a disability to you on shipping to Western Canada overland, or did not give you an advantage on your location, you knew it when you

put your plant there. That is true?

A. Well, I presume so.

Q. And you were prepared to accept it at that time when the market in Western Canada was greater than it is today. Is that correct?

A. Frankly, I don't think in 1902 they considered it but if you put it to me as "If the rate existed", if that was the status of the rates at that time, and we built a plant at the Soo at that time, I suppose we have got to assume we put the plant there under existing conditions. What I have said to you is we built the plant at the Soo in order to supply steel rails for which there was then a tremendous market for the building of railways in Western Canada as well as in Northern Canada. I do not know, Mr. Sinclair,. All you are asking me is "Was there a certain set of rates in existence when the plant was built?" I don't know.

Q. I understand now that the rates on iron and steel from the Soo to Western Canada usually are lower than the rates from Hamilton, because the rates from the Soo have been reduced to reflect combinations available through the Soo gateway, and United States routes?

Q. I am informed that is right. I do not know how much lower and I do not know whether that is an advantage or not.

Q. You do not?

A. I do not know whether that is an advantage over Hamilton if that is what you are asking. I can find that out.

Q. If the rate combinations do make lower rates on account of the American gateway competition, that is an advantage to you therefore, competing on American lines?

A. It is very little advantage.

THE CHAIRMAN: It depends what use is made of that haul.

MR. SINCLAIR: Yes, it depends on how much market is going through but what I am coming to, my lord, is that I think the witness said that maybe their problem has developed due to changed market conditions. That is, I think, what you said?

A. I think that is one of the factors, yes. I mean by that the change in the geographic location of the market in Canada for steel which has developed in a very big way in a small concentrated area in the centre of the country, which I do not think was contemplated fifty years ago.

Q. Now would you agree with this statement, Senator Fogo:

"The obligation of the railway company is to charge a reasonable rate. It is not called upon through the reduction of the rate to guarantee that the business will be carried on at a profit. In other words the needs of business and the way in which it is carried on are not the measure of the reasonableness of the rate."

Would you agree with that statement?

A. All I can say -

THE CHAIRMAN: Who says that?

MR. SINCLAIR: That is an extract from the decision of the Board of Transport Commissioners in *Western Retail Lumbermen's Association v Canadian Pacific, Canadian Northern and Grand Trunk*, 1915, 20 Canadian Railway Cases, 155 at 158.

A. I agree with that substantially, Mr. Sinclair, except this, that I do not think it is the function of the railways or the Board to keep an unprofitable organization going, (but that is a different matter) and by manipulation -

of freight rates or fixing of freight rates to make up for differences in costs of production, but I do say -

Q. You say you do not think that freight rates should be manipulated to make up for differences in cost of production?

A. Yes, I say that but what I do say -

THE CHAIRMAN: That is difference, is it, in cost of getting to the market?

A. Yes my lord .

MR. SINCLAIR: Surely, Senator Fogo, the cost of getting to the market is one cost of production?

A. If you are asking me about costs of production having in mind that that is substantially freight rates, I will differ from you, but I am talking of cost of producing an article as distinct from getting it to the market. The thing that is being referred to in that statement, if I remember correctly, is not exactly what we are dealing with now, if you will read that to me. What was the phrase used there?

Q. "The obligation of the railway company is to charge a reasonable rate -". You will agree with that?

THE CHAIRMAN: That is in getting the finished product to the market?

MR. SINCLAIR: Or bringing the raw product to the plant.

A. Not in a given case.

Q. And bringing the raw product to the plant would be a cost of production, would it not? To continue reading out of this judgment:

"The obligation of the railway company is to charge a reasonable rate. It is not called upon through the reduction of the rate to guarantee that the business will be carried on at a profit. In other

"words, the needs of business and the way in which it is carried on are not the measure of the reasonableness of the rate".

A. I am not quarrelling with that. I made the statement that it is not the function of the railways and freight rates to enable people to run their business properly. That is all that that means as I understand it. Certainly if you are putting to me that freight rates is only one element of the cost, I agree with that too.

Q. You agree that freight rates are only one element of cost?

A. Yes, depending on the sense in which you use the word "cost".

Q. Laid down cost?

A. In that case, it is an element. If it is cost on the floor of your plant of a manufactured article, freight rates would only enter into the cost to the extent of the freight rate on the material or the machines entering into production.

Q. Freight rates are only one element in cost no matter whether laid down cost or plant cost?

A. I agree.

Q. In regard to the submission that you read this morning, Senator Fogo, on page 10, the last paragraph dealing with the effective control of the commodity rates, am I correct in my note that you are not saying that the Board has not those powers today?

A. We are not sure of that, Mr. Sinclair.. If the Board has the power, they have refused to exercise it.

THE CHAIRMAN: What page is that?

MR. O'DONNELL: I think my lord, there is some confusion.. My friend has referred to page 10 of a

submission which my friend read, and unless we refer to the part that is really in the transcript, there will be confusion.

MR. SINCLAIR: I am sorry. I was referring to what Senator Fogo said this morning, and I should not refer to it by page number. I will just say that this morning he said that the Board of Transport Commissioners should have some effective control over the commodity rate and should have a duty and power to exercise these rates with a view to preserving conditions in industry which will enable them to move freely to markets.

THE CHAIRMAN: To move freely to markets?

MR. SINCLAIR: Yes.

THE CHAIRMAN: Those are the words of the Order-in-Council, aren't they?

MR. SINCLAIR: Those are the words of the Order-in-Council, yes.

THE CHAIRMAN: The point seems to be this. Here are three products, one made in Hamilton, one made in Sault Ste Marie and one in Sydney. Now, they are going to a certain market. What freight rates are reasonably chargeable to each of the three shippers to get to that market? Senator Fogo says that prior to this recent increase, there was a certain differential which apparently was not complained about recently, but he says something happened in 1948 to change the relation of the three rates which is prejudicial to the product which his company manufactures.

MR. SINCLAIR: I, of course, challenge that statement.

THE CHAIRMAN: Is that right, Senator Fogo?

A. Yes.

Q. Now when the Board are considering, as it is now, how much each one of these products is paying to get to

the market, should it consider what it costs for any one of the companies to produce that article, to make it? Then, should the Board in deciding what the freight rate should be, take into consideration the cost of production on that article in the three different plants respectively?

MR. SINCLAIR: I think not, my lord.

THE CHAIRMAN: Now then, this additional power that it is suggested should be given to the Board, would that power, to be properly exercised, compel the Board to go into that question of the cost of production on the article?

MR. SINCLAIR: I think not, my lord.

THE CHAIRMAN: You still think not. Well, what do you think Senator Fogo, because you see you are one of those apparently who do wish the powers of the Board to be extended and to take into consideration the economic situation, conditions of industry, and so on?

A. I think there would be cases, my lord, where it would be almost necessary for the Board to do that, in order to carry out what we have suggested here, although this is restricted in a sense to the transportation charges.

Q. To the market?

A. To the market concerned. In a good many cases it would be relatively easy to, or there might well be cases where I think you would have to have the starting point before you could plan how they reach the market equivalent.

Q. You don't mean the geographical starting point?

A. No, the dollar starting point.

MR. SINCLAIR: Would you agree with me, Senator Fogo, that if the relationship of freight rates to laid down cost had not increased over that of your competitors

percentagewise -

THE CHAIRMAN: Would you repeat your question for my information?

(Page 8065 follows)

MR SINCLAIR: Q. Would you agree with me, Senator Fogo, that if the relationship of transportation to laid-down cost had not increased in comparison with the relationship of transportation to laid-down cost of your competitor, you would have not suffered any competitive disadvantage by a horizontal percentage increase?

A. If you mean by that that if during the same period my company acquired an equivalent advantage in some other way over my competitor as a set-off to the disadvantage in freight rates, I would agree with you -- if that is what you mean.

Q. No, I mean -- well, maybe the reporter would read the question to you.

THE REPORTER: "Would you agree with me, Senator Fogo, that if the relationship of transportation to laid-down cost had not increased in comparison with the relationship of transportation to laid-down cost of your competitor, you would have not suffered any competitive disadvantage by a horizontal percentage increase?"

THE WITNESS: I do not know whether that is so or not.

Q. That is all, thank you.

COMMISSIONER INNIS: Mr. Sinclair, did you have in mind, when you were asking the Senator to present statistics and calculations and so on regarding cost of production and the place of transportation cost in that, that it should go so far as to include for example cost of foodstuffs in the community, cost of wages in relation to cost of foodstuffs, or the cost of standard of living, or were you drawing a certain line?

MR SINCLAIR: Oh, no, Dr. Innis; my thought was, in the cost of the article which he was selling, the laid-

down cost of the article.

COMMISSIONER INNIS: You only wanted the labour cost, that is to say, wages, simply as they are?

MR SINCLAIR: Yes -- all plant costs, raw material costs, inbound transportation costs, overhead, depreciation, investment, return on investment.

COMMISSIONER INNIS: Wages?

MR SINCLAIR: Wages.

THE CHAIRMAN: Supposing, Mr. Sinclair, then, you had five or six companies instead of one at a certain point, what would you do when you had the cost of production of each company? You would still have to give them all exactly the same freight rate.

MR SINCLAIR: My lord, as I understand Senator Fogo's view, it was that there was some competitive disadvantage on account of geographic location of Steel Company of Canada versus Algoma versus Dominion Steel. If they were all in the same locality, then certainly I cannot see how transportation could ever be argued to be a deterrent factor one plant against the other, because in those circumstances, as your lordship states, the rate would be the same, because we charge the same rate to all persons.

THE CHAIRMAN: Although the cost of production of the one would be higher than that of another, on account of less efficiency.

MR SINCLAIR: Might be, quite so.

THE CHAIRMAN: That is what I am trying to get at. Therefore the whole thing is cost of transporting the article from one point to another, irrespective of the cost of producing that article; isn't that so?

MR SINCLAIR: I do not see that, my lord.

THE CHAIRMAN: Well, isn't that so, if all the plants were at the one point?

MR SINCLAIR: Quite so.

THE CHAIRMAN: Then you would have to say, "We must write one rate for the production of all these five or six plants from that point to market," irrespective of whether the costs of production were different.

MR SINCLAIR: Quite so.

THE CHAIRMAN: Then do you think there should be a change in the procedure when the plants are located at different points?

MR SINCLAIR: No, my lord.

THE CHAIRMAN: That you should say, although the distance is equal, say one thousand miles, to a common market, before fixing the rates, before making them the same on account of the equal distance, we should consider the cost of the production in Hamilton and the cost of production in Sydney?

MR SINCLAIR: No, my lord.

THE CHAIRMAN: Not only of one company, but of all the companies.

MR SINCLAIR: No, my lord, I am not saying that.

THE CHAIRMAN: Then why do you want to know the cost of production?

MR SINCLAIR: Because, my lord, as I understand Senator Fogo, and as I understand quite a bit of evidence that has been led before this Commission, they are saying that because they happen to be a further distance from the market than one of their competitors, when you have a horizontal percentage increase, because of the fact that they have a larger rate to start with, the cents of increase are more, they suffer a competitive disadvantage. I challenge that statement, and one of the ways I challenge it is by the comparison and the figures and statistics that I have asked Senator Fogo to produce.

THE CHAIRMAN: That is, his cost of production.

MR SINCLAIR: Yes; because of the relationship percentage-wise of transportation to cost in 1939 as the relation of transportation to cost in 1949, compared with that of someone else with whom he was competing.

THE CHAIRMAN: Yes. Now, we will skip for the moment the situation which would arise if there were five or six companies instead of Senator Fogo's one company at this particular point. You would want the cost of production of each one of them?

MR SINCLAIR: In the Soo, for instance?

THE CHAIRMAN: Yes.

MR SINCLAIR: No, not necessarily.

THE CHAIRMAN: Well, they might get their raw materials from different places.

MR SINCLAIR: Oh, yes, if they came forward and complained.

THE CHAIRMAN: Oh, no. What they are complaining about is the cost of transporting their finished product from their place of manufacture to a common market, compared to the finished product that comes out of Hamilton and out of Sydney.

Q. Isn't that it?

A. That is right, my lord.

MR SINCLAIR: Yes, my lord---

THE CHAIRMAN: You say that that cannot be properly dealt with and a reasonable rate struck unless you also know the cost of production of that product by the three, and principally the ingredient in that cost of production of their inward freight paid; isn't that right?

MR SINCLAIR: My lord, when the rate is first fixed as a reasonable rate, I am not saying, not at all, that the efficiency of Algoma versus Steel Company of

Canada or Dominion Steel of Sydney, has anything to do with it, but I am saying that when these people come forward and say that their competitive position has been worsened by a horizontal percentage increase, then I am saying that this relationship does become necessary to determine whether in fact their statement is correct or otherwise.

THE CHAIRMAN: How can that be? Supposing that a company says, "Prior to a certain date my freight rate was 20 cents, since that date it is 24 cents," and there is no change in the cost of production or in any other circumstance; why should you then go into the question of what is their production cost, or to see whether an increase could have been applied in that way? You see, as I understand the complaint from Senator Fogo, he is not complaining of any increase in freight rates; he is objecting to the nature of the increase, which he says increases the percentage of the differential which had to then existed between his company and the companies at Sydney and Hamilton in getting the same product to the same market. Now he says, if there is to be an increase, which he does not dispute, then the increase should be made on a different basis, which would not increase the preference, the differential, between his company and the others at other points.

Q. Is that right, Senator?

A. Yes.

MR SINCLAIR: I understand exactly what he says, my lord.

THE CHAIRMAN: Then why suddenly, when that question is put, do you say that you cannot determine that question until you determine the cost of production at Hamilton, the cost of production at Sydney, the cost

of production at Sault Ste. Marie? That is what you are saying.

MR SINCLAIR: I am saying, transportation expressed as a percentage of cost or as a percentage of selling price, I don't care which.

THE CHAIRMAN: All you want to know, then, is the cost of the inward transportation of the companies' raw materials to their plants; is that it?

MR SINCLAIR: And also, my lord, the total transportation cost as against selling price, or the total transportation cost as against cost price; I don't care whether it is laid-down cost or plant cost; he can give me the figures either way. But it is transportation as a percentage of that cost in 1939 and transportation as a percentage of that cost in 1949.

THE CHAIRMAN: You mean only inward transportation?

MR SINCLAIR: No, my lord.

THE CHAIRMAN: Both inward and outward?

MR SINCLAIR: Yes, my lord.

THE CHAIRMAN: I see; getting to the market as well as getting the raw materials into the plant; you want both.

MR SINCLAIR: Yes; because otherwise you are not getting all the transportation cost in over-all cost, unless you take both inbound transportation cost and outbound transportation cost.

THE CHAIRMAN: Up to the present, as I understand it, the Board has not gone into that sort of consideration in fixing freight rates; is that right?

MR SINCLAIR: They do not have to, my lord.

THE CHAIRMAN: I say they do not do it; they have not done it, have they?

MR SINCLAIR: This is merely a way of testing whether horizontal increases disturb competitive conditions.

THE CHAIRMAN: I understand you intend to argue that the increase as made and the method in which it was made, the horizontal method, is all right.

MR SINCLAIR: Quite so.

THE CHAIRMAN: Now, the Board in doing that did not take into consideration the factors which you mention now, cost of production and the percentage by which the carriage of the raw material to the plant entered into the cost of production. They did not consider those things, did they?

MR SINCLAIR: What they considered---

THE CHAIRMAN: They did not have them before them, I understand.

MR SINCLAIR: What inquiries they conducted themselves I do not know.

THE CHAIRMAN: Well, the case was argued before them.

MR SINCLAIR: But they have their own experts, and what those experts and statisticians may have done---

THE CHAIRMAN: I understand them to have said time and time again that they do not consider considerations of that kind. I am not quarrelling with you; I hope you do not think I am.

MR SINCLAIR: Oh, no, no.

THE CHAIRMAN: But what is being suggested to us is that we recommend that in the future when they are fixing a freight rate to bring a finished product to a market, they should enter into the economic considerations which surround the manufacture of that product.

Q. Isn't that what is suggested, Senator Fogo?

A. No, I do not think it goes that far, my lord.

Q. Well, how far would you go? You see, here is an industry---

A. What we are suggesting is---

Q. I would like to know how far you go, because it is very important; your case is a very important one. I would like to know how far you think the powers of the Board should be enlarged in respect of industry, the preservation of industry or the establishment of industry or the encouragement of industry, when they fix freight rates?

A. Well, taking our own case, my lord, I think that in the consideration of the application for an increase to the rates from Sault Ste. Marie on iron and steel, the Board should take into consideration the fact that there is a limited market, that there are three producers, and that the increase should be tempered in such a way as not to prevent any one of those three producers from reaching the common market.

Q. Well, that is not finding any deficiency in the powers they now possess; it is finding fault with the way in which they exercise their present powers; that is all, isn't it?

A. That may be, my lord. I think we have avoided saying which it is, really. I do not know for sure whether it is because the Board has restricted itself or whether the restriction arises under the Act. There seems to me to be considerable doubt about that, as to whether the jurisprudence of the Board has not restricted it even more than the Act itself is restricted.

COMMISSIONER ANGUS: Mr. Sinclair, in the matter of separating transportation costs from other costs and expressing it as a percentage, is the point that if other

costs in an inflationary period have gone up by X per cent, the competitor who pays the higher transportation cost in the beginning has gained a competitive advantage, unless the transportation costs also go up by the same percentage?

MR SINCLAIR: Quite so.

COMMISSIONER ANGUS: And that really would not affect the question of the Board going into transportation costs except in a relative sense.

MR SINCLAIR: Except, as I see it, to determine whether horizontal increases are a fair method of applying freight rate increases.

COMMISSIONER ANGUS: For that purpose, is there possibly a misunderstanding between you and the witness on this point? For the purpose of your argument, as I see it, one is asked to consider general inflationary increases in cost. Supposing at the same time there has been a decrease in cost affecting one only of the competitors, resulting from better technological methods, that would be a disturbing factor in the calculation.

MR SINCLAIR: Quite so.

COMMISSIONER ANGUS: And I think Senator Fogo was mentioning that type of change as something that perhaps should not be disclosed or that would destroy the point of this comparison.

THE WITNESS: Exactly.

MR SINCLAIR: If he is suggesting that there is a technological disturbance in one of these three plants that gives it an advantage over some other one, naturally that is a factor that will disturb the comparison, quite so. I am taking it that the steel industry has during the war period which we have now just gone through, and a little bit afterwards, pretty well technologically been on

a parity, because, as I understand it, there was a complete exchange of information, and that is why---

THE WITNESS: No.

MR SINCLAIR: ---I thought the period I was taking, 1939 to 1949, put me at a real advantage in regard to comparability.

THE WITNESS: I think the point Commissioner Angus has raised is an extremely important one, and one reason why I hesitated to answer your question as to whether I agreed to the formula -- certainly I do not know, and I do not think anybody associated with Algoma knows, the technological advances in either Dosco or Hamilton. We have a general idea. There is no formal exchange of information. Certainly since 1939 the variation in costs due to things other than transportation in these companies has been very great, but how much in any one or in what direction in any one I could not tell you.

MR SINCLAIR: Q. Has there been a disturbing factor, or do you think there has been a disturbing factor, that Dosco or Steel of Canada have a technological advance over what you have got?

A. Not any one factor, Mr. Sinclair. There are some respects, if I were going to go into this, there are some respects in which Hamilton can produce articles very much cheaper than we can.

Q. But has there been a change in the relative position technologically between you since 1939?

A. They have built new mills in the last three or four years; they have spent twenty or thirty million dollars on new rolling mills in the last three or four years.

Q. You say that the technological position of the mills has altered?

A. They have modernized their plants.

Q. Has yours?

A. No.

Q. Then so far as your company is concerned, I would not have to take that disturbing factor?

A. Well, you would if you were going to make a comparison. If you are going to take one isolated case and say to me, "You are no worse off in 1949 than you were in 1948, because where you have been rimmed on freight rates you have gained somewhere else, on finding some ore at a lower price, and thereby-preserved your relationship"---

Q. You are not suggesting, Senator Fogo, that that was my phrase, "rimmed on freight rates", are you?

A. I am sorry. What I meant, Mr. Sinclair, was that I do not think that the information that you are asking me for is of any use or that the comparison you propose to make is of any use unless you also have the same information obtained under practically the same conditions from the other people, from the other companies.

Q. Well, I suggest---

A. Now, I may be wrong; I don't know.

MR SINCLAIR: I suggest to the Commission, let me get the information and then see what I can do.

THE WITNESS: Well, I am not so sure that is the proper approach. I think the Commission should---

MR SINCLAIR: There is just one point that your lordship brought up that I thought I should mention to you, and that is in dealing with the Board, you asked me, did the Board consider these things? Well, both in the 20% case, and, if I recollect correctly, in the 21% case -- the 20% case for sure; I am positive of that -- the proposition that I am now putting forward was put forward by counsel for the Canadian Pacific and was argued before

them, and I think that when the Board say that after taking into account all the circumstances and everything in connection with the matter of increasing rates they must have considered the argument that was put forward as one of those circumstances or one of those arguments, I must say also, I think, in fairness to my learned friends, that I do not think that they have met that argument in the 20% case or in the 21% case.

THE CHAIRMAN: You do not think who have met it?

MR SINCLAIR: That they have given any answer to the proposition put forward in the 20% case and which I am now putting forward.

THE CHAIRMAN: Who?

MR SINCLAIR: The provinces?

THE CHAIRMAN: Then, Mr. Sinclair, would you tell me again, summarize for me, what is the argument that you refer to that the railways put forward? Since you say it was not answered, I think Mr. Frawley and others had better know what it was now.

MR SINCLAIR: Oh, I think they know it very, very well; they do not need any summary from me.

THE CHAIRMAN: Well, you had better tell me, then.

MR SINCLAIR: I say the argument is this, that in so far as transportation does not increase to a greater percentage of cost or selling price, one plant compared to another, the mere fact that there has been a greater increase in cents, one plant to another, has no effect whatsoever on disturbing competitive relationships. In fact---

THE CHAIRMAN: What definition do you give to the word "cost" there? What do you include in cost?

MR SINCLAIR: Transportation as a percentage of all costs.

THE CHAIRMAN: Do you mean transportation of the product to the market for sale?

MR SINCLAIR: Transportation in so far as it is a factor in all costs -- that is, the transportation factor in the inbound cost or the transportation factor in the outbound cost. It does not make any difference to my argument whether you take transportation as a percentage of selling price or as a percentage of cost. All I want is total transportation cost as a percentage of the total cost or the total selling price. That is the argument I say that was considered by the Board, and I think in the 21% case was set out at page 65 of the print, which is the same as reported in the official reports at page 65:

"Upon consideration of the whole situation, I think that, in this case, the general increase in freight rates should apply equally throughout the country."

THE CHAIRMAN: I can imagine information of that kind leading to an increase in freight rates, but why does it lead to a horizontal increase in freight rates?

MR SINCLAIR: Because, my lord, the Board after a most exhaustive inquiry and most exhaustive arguments and counter arguments stated that it was the fairest way.

THE CHAIRMAN: That is, to increase the differential would be the fairest way?

MR SINCLAIR: That the fairest way was to apply a horizontal percentage increase across the country -- after a most exhaustive inquiry.

THE CHAIRMAN: What I am really concerned about is this -- we are about to adjourn now -- we have been asked by various people to recommend to the Government that the Railway Act should be amended, to increase the

duties as well as the power of the Board in fixing freight rates, by having them take certain economic considerations in view when they make such increases, and I am somewhat concerned to know how far that would lead, how far the people who advocate that sort of change, that increase in the Board's powers and duties, intend that those powers and duties should go, whether technological advances or other advances put in by certain manufacturers or at certain points could affect then the price of transporting their finished product to a given market.

MR SINCLAIR: That was the second of the two points.

THE CHAIRMAN: Or whether, if they do not get some preference of some sort, they would have to go elsewhere -- all sorts of things.

MR SINCLAIR: I of course was not addressing myself to that question.

THE CHAIRMAN: I know. I am not talking to you now; I am saying---

MR FRAWLEY: My lord, I do think that my friend should have continued to tell the Commission what the Board said in the 20% case, because he---

MR SINCLAIR: Well, if I had a chance---

MR FRAWLEY: My friend had a lot of chance. He simply said, "I think this and I think that." However, the 21% case, my lord, was appealed to the Court of Appeal, the Governor-General in Council, and the Governor-General in Council sent back the matter of horizontal increases to the Board to reconsider it. They did say that it had already been referred to the Board under P.C. 1487, the general freight rate inquiry, but this is what the present Board has said, this is the last word of the present Board, and I am quoting from page 11 of the pamphlet copy of the

Judgment:

"As in the hearings prior to the decision in the 21 per cent case so in the hearing of this application, the respondents have vigorously contended against the principle of horizontal increases. At this time the Board is not in a position to give a final determination in respect to this contention because this matter is already the subject of a direction to this Board set out in Order in Council P.C. 1487 of April 7, 1948, in which Order in Council the Board was directed to make a thorough investigation of the rates structure of railways and railway companies which are under the jurisdiction of Parliament, with a view to the establishment of a fair and reasonable rates structure which will under substantially similar circumstances and conditions be equal in its application to all persons and localities subject to such special statutory provisions as affect freight rates."

So it still stands before the Board, and we still hope that our point will finally prevail, that the application of horizontal percentage increases is a vicious and discriminatory method of making freight rate increases.

THE CHAIRMAN: Well, we will continue at a quarter to three.

---At 1:00 p.m. the Commission adjourned, to meet again at 2:45 p.m.

(Page 8085 follows)

OTTAWA, ONTARIO.
Thursday, November 10th, 1949.

A F T E R N O O N S E S S I O N

SENATOR J. G. FOGO - Recalled

CROSS EXAMINATION RESUMED BY MR. SINCLAIR:

THE CHAIRMAN: Very well, Mr. Sinclair.

MR. SINCLAIR: Just before the noon adjournment, Mr. Chairman, my friend Mr. Frawley referred to the judgment of the Board of Transport Commissioners delivered on September 20, 1949, at which time an interim increase of 8% was given; and he read from page 11 of the judgment of the Chief Commissioner, some remarks concerning horizontal increase.

Now, I would just like to draw the Commission's attention to this one fact, that the Board, at that time, was dealing with a review of the 21% Case, and one of the matters, which they were to deal with on that review, was the question of horizontal percentage increases. That was one of the matters referred back to them by the Privy Council.

THE CHAIRMAN: You say horizontal percentage increase?

MR. SINCLAIR: Horizontal percentage increase; that is to say the Privy Council referred that, as one of the matters to be referred back to the Board. That is the body which Mr. Frawley referred to this morning as the court of appeal.

At page 4 of the Board's judgment delivered on Sept. 20, 1949, I would just like to read, as follows:

"Dealing first with reference to the Board by order-in-Council P.C. 4678, in my opinion no new evidence was furnished the Board, or new matters drawn to its attention which would justify disturbing the findings of the Board with respect to the following

THE UNITED STATES OF AMERICA

IN SENATE
January 10, 1906

REPORT
OF THE
COMMISSIONER OF THE GENERAL LAND OFFICE
IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
JANUARY 10, 1906

AND
OF THE
COMMISSIONER OF THE BUREAU OF LANDS
IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
JANUARY 10, 1906

WASHINGTON: GOVERNMENT PRINTING OFFICE

1906

THE UNITED STATES OF AMERICA

AT THE BUREAU OF LANDS
WASHINGTON, D. C.

matters --- Item F, horizontal percentage increases".

Now, in addition to that, although the Board did say as my friend says, at page 11 of the Judgment - that by Order-in-Council P.C.1487, they were to go into the matter of horizontal increases, yet, in granting the interim increase they made it a horizontal increase of 8%; and I say that the Board has found that they did find, in the 21% Case, and the findings of the Board in that regard, the fairest way to apply that increase, and the only practical way, was by a horizontal percentage increase.

And my friends, the respondents, in that case were unable to bring in new evidence before the Board to disturb that finding.

THE CHAIRMAN: Now, did the reference by the Board to the Privy Council specify that they were to reconsider the question of horizontal increases?

MR. SINCLAIR: Yes, my lord.

Now there is only one further question I have for Senator Fogo.

CROSS EXAMINATION BY MR. SINCLAIR CONTINUED:

MR. SINCLAIR: Q. I believe, Senator Fogo, in answer to my learned friend Mr. Covert, you said that you would be satisfied with the Interstate Commerce Commission's method of handling increases. That is the way I have it down. Is that the purport of your answer?

THE CHAIRMAN: Would you please put it again?

MR. SINCLAIR: Q. That he would be satisfied with the Interstate Commerce Commission's method of handling increases. Was that the purport of your answer?

A. That is what we recommended to the Board of Transport Commissioners, that a similar method be adopted in Canada.

Q. Well, did you or did you not know, Senator Fogo, that the Board in Canada has not only given percentage increases, but percentage increases with maxima; and that the Interstate Commerce Commission likewise had given percentage increases, and percentage increases with maxima, depending on the circumstances at any given time, and in relation to any particular case. Did you know that?

A. I think I knew of instances where the Canadian Board had given flat increases rather than percentage increases, and cases where I believe -- there are some cases where percentage increases were tempered by limitations; but I think that was at the request of the railways.

Q. Well, in the United States they have --

A. I am thinking now, particularly of -- what is it you call it -- the Eastern Rates case. Isn't that a case where the railways themselves asked that the percentage increases or decreases on basic commodities be limited in certain instances?

Q. But the point I am asking you about is that in the United States, where you state you would be satisfied if the Canadian Board applied the same principles that they did down there, that for different occasions, they have, depending on the circumstances, granted horizontal percentage increases without any maxima. Did you know that? Did you have that in mind when you gave your answer?

A. I suppose that is true, but I do not know that I knew it.

Q. But you would still say that you would be satisfied to have the same principles followed in the United States followed by the Board in Canada?

A. Not in the sense you mean it, if I understood you correctly. If I said I agreed that the Canadian Board should adopt the method of maximum limitations on basic commodities which was adopted there, by the United States, by the Interstate Commerce Commission, in ex-parte 162.

Q. You are not suggesting, are you?

A. I think he was just going to let me finish, that is all. I was saying that if you meant that I said that I was agreeable to the adoption of the method followed in ex-parte 162, then the answer is yes.

Q. But are you suggesting to the Commission that they should recommend that the Board, by legislation, should not be allowed to give horizontal increases? Are you going that far?

A. No. I am not going that far, certainly.

Q. So you are quite content?

A. I think that the Board should either recommend that there be legislation or power under the present Act to impose maximum limitations in a proper case.

Q. The Board has that power now, has it not?

A. I do not know.

Q. But they have done so?

A. They apparently refused to exercise it in the last two applications.

Q. Because of another percentage test?

A. They did not say very much as to why they did not do it, as I remember it.

Q. I suggest that they did, that they said it was the fairest and the most practical way, under the circumstances.

MR. FRAWLEY: That is not what they said. They said they still had it under consideration, under

P.C. 1487; and they granted an 8 per cent increase just as an interim increase, having declared themselves as being possessed of the power, under P.C. 1487 to review the whole matter. ^{THE WITNESS:} / And they seem to have suggested in one or other decision -- I think it was the second one -- that if by virtue of a horizontal increase in all this type of long-haul traffic, there was prejudice, then there might be further applications from the persons concerned.

MR. SINCLAIR: Quite so. The Board remained seized of any unjust hardships that might result from the application of a horizontal percentage increase.

A. Our quarrel is perhaps that we are not sure that the Board would consider our position as being unjustly prejudiced.

C. I think you said this morning that you had not made an application to the Board for relief, even though you admit you have the right to do so, and that they would have heard you.

A. No, except in so far as this brief, in the general freight rates investigation, might constitute such an objection.

Q. I see.

THE CHAIRMAN: There is no doubt that the Board has power to provide horizontal increases. They have the power to do that, and they have the power to depart from that and to follow another method.

Now, is it your desire that the Board should be prohibited in future from making horizontal increases?

A. I should think, sir, that perhaps prohibited in a case of this kind, but I would find it difficult to say that the Board should be prohibited in future because they are making a horizontal increase; I can

conceive that there might be many cases where a horizontal increase might be the proper way in which to apply an increase.

THE CHAIRMAN: Q. You would have to leave it to somebody's judgment in each case. Are you not back to where you were today: that the Board has power to impose horizontal increases? Or, otherwise, in the case you are complaining of, they increased horizontally. But if you say there are cases, and that would be right, how can you have any statutory provisions setting out such a case? You must leave it to somebody's judgment, must you not?

A. I think that is right, sir.

Q. However, you say: prohibit that method entirely. That is a different situation.

A. Yes; but if you approach it by saying that the Board should take into consideration certain factors, does it not follow from the fact that if they took into consideration those factors, they would necessarily have to depart from the horizontal percentage method?

Q. You must take notice what those factors are to be when you say that, because Mr. Sinclair supposes a whole lot of factors which you, perhaps, might think ought not to be taken into consideration, such as factors going to your cost of production and so on.

A. Well, we have not --

Q. The difficulty that I see is in drawing a line, a statutory line beyond which the Commission shall not be allowed to travel.

A. I appreciate the difficulty, my lord.

Q. Well, I just want to hear more about it.

MR. SINCLAIR: That is all I have. Thank you, Senator Fogo.

THE CHAIRMAN: Are there any other questions?

MR. O'DONNELL: I have just a few, my lord.

THE WITNESS: Perhaps, if your lordship wishes, before Mr. Sinclair is through, he asked me a question this morning about the maintenance of relationship between transportation costs and other costs in a given article.

THE CHAIRMAN: Q. In the production.

A. In the production of a given article.

I was unable to answer his question at the time, but I have a note about it that I would like to present at this time, and it is that I would like to suggest to the Board that the maintenance of the relationship that he suggested, namely, the relationship of the transportation cost to other costs in the total cost of an article, would not necessarily be dependent on the cost of transportation.

In other words, let us say, between 1939 and 1949 there might well be a variation in the percentage relationship between transportation and other costs, even if transportation costs remained the same.

And, moreover, a variation in the percentage of transportation to other costs may be due either to a change in transportation costs alone, to a change in other costs alone, or to a combination of the two. So that I suggest that the finding, as suggested, of a same relationship existing in 1949, as existed in 1939, would indicate nothing.

MR. SINCLAIR: Q. Except that I coupled with that a comparison with another industry.

A. Well, --

Q. You have just taken your industry.

A. You said you were talking about our company alone.

Q. You said you did not have a comparison. So I said: Let me have it for your company, and let me see what I could do with it. I had already requested it for "Dosco".

THE CHAIRMAN: The Board would, in trying to measure its rates by economic conditions and factors require constant supervision, would it not?

A. I am afraid it would.

I said I would make a statement about the costs, after lunch, and I would like to do so now with your permission.

Q. Yes.

A. First of all I would like to say that, after consulting some of the officers of the company, I have ascertained from them that they do not believe that the information which Mr. Sinclair asked for would be available for several reasons.

One reason is that we do not know and could not obtain the transportation portion of the cost of a lot of the articles that we purchase.

For example, we buy anywhere from 10,000,000 to 15,000,000 gallons of fuel oil a year, which is sold to us at Sault Ste. Marie, by one of the oil companies. So, to what extent the cost of that fuel oil is transportation, we have no way of knowing.

Secondly, the same would be true of lubricating ^{and} oil grease, which are large items, and which are purchased at Sault Ste. Marie at delivered prices, part of which would be transportation.

Thirdly, we purchase large quantities of coal in the United States at various points not at the mines, and the price at the points where we purchase would involve some transportation which had accrued before our

purchase. And that would be also true of iron ore at points such as Duluth and Marquette, which are Lake Superior points, where ore is produced, and there is already transportation in the item.

Similarly, in the purchase of machine parts and stock, alloys and the like; a good many of these are purchased at delivered prices at Sault Ste. Marie, so we would not have the true information that Mr. Sinclair asked for.

MR. SINCLAIR: Q. Now, that is on the first point. The second point is, before you leave that: may I ask you one question. Have your policies in that regard changed between 1939 and 1949?

A. To some extent, yes.

Q. They have; and you could not weight them in any way, to assist me?

A. They change from year to year, as a matter of fact.

Q. Your company's statistical staff could not weight them to assist me, and let me have that information?

A. They tell me not, Mr. Sinclair.

The second point is that the transportation element in the plant is not the same as it was in 1939. That is to say, the arrangement of our plant has been changed in that time.

If you are talking about laid-down costs of materials at Sault Ste. Marie, as distinct from the open-hearth or blast furnaces or mills, we have to have an item of transportation from the stock pile to the place where the material is going to be used.

That has changed very substantially in the last ten years, by erection of new plants; and a change

in the railway system in the plant -- there has been a substantial changed condition as against 1939.

Q. Well then, Senator Fogo, would you have any difficulty giving me the percentage of transportation costs to selling price or laid down cost, taking only for transportation cost the movement from the plant to the selling point?

A. Oh, no.

Q. Well, would you do that?

A. From the plant to the selling point, in 1939 as compared to --

Q. To 1949.

A. Oh, we could do that. Then you drop the other thing?

Q. I drop it because you say it is impossible.

A. I might add that we are not using the same raw materials as we did in 1939, nor the same proportion of raw materials. And in No. 4 we are not using the same process we were using in 1939.

Today we are using the Bessemer process in addition to the open hearth, which we were not using in 1939, in order to meet the scarcity of scrap, a situation which developed a few years ago, and the difficulty of obtaining scrap.

As far as we were concerned, we had to advert to a Bessemer process, in order to keep our plant going. So that the processes and the quantities of raw material which we would be using in 1949, as compared to 1939, would be quite different.

Q. And your statistical staff does not think that they could make a rapid calculation, taking these factors into account, and let me have the transportation factors?

A. No. That is the situation. And if you got them,

for the reasons I have suggested, they would not be of much assistance to you.

THE CHAIRMAN: Mr. Sinclair, in order that we may understand your position better, if we were to assume, or to take for granted that cost of production of a given article is less at Sault Ste. Marie than it is at Hamilton, and that to effect the freight rates on getting a product to the common market, would you say that the Sault Ste. Marie manufacturer should pay higher freight rates, because his cost of production is less than at Hamilton?

MR. SINCLAIR: No, my lord. What I am saying is that the efficiency of plant A, as compared to plant B is not a factor, either in determining the reasonableness of a freight rate -- that is, depending on other factors. What I am saying is that, in determining the fairness of horizontal increases, or determining whether horizontal increases do adversely affect the competitive position of plant A as against plant B, that that can be demonstrated by looking at the percentage of transportation costs to total costs as between the two plants.

THE CHAIRMAN: Then you do say that in that case the cost of production is a factor?

MR. SINCLAIR: Because they are competitive, I want to see whether their competitive position has been changed by a horizontal increase.

THE CHAIRMAN: Suppose it has not been changed. Would not the question still be: whether it ought not to be changed?

MR. SINCLAIR: Oh, no.

THE CHAIRMAN: According to the figures in this document we are examining today, they are the results of recent horizontal increases, and they have widened the

difference between these respective shippers, according to their distance from a common market. Isn't that right, in dollars and cents?

MR. SINCLAIR: Quite so.

THE CHAIRMAN: Now, then, how can you -- and I am not saying this sto justify; I am not expressing any opinion at all about it -- but I say: How can you arrive then by saying: now we are going into the cost of production; we would not, otherwise, but now we must.

How does that factor arise? Was it the difference between the dollars and cents?

Now they say that by using this old method of increase, that difference is increased.

Assuming more dollars and cents, they say we admit there must be a difference and we are further away. We must pay more freight. But we say that the difference, the measure of the difference ought not to be increased.

Then, you say: you are trying to justify that sort of increase by, for the first time, going into the cost of production. Isn't that so?

MR. SINCLAIR: Well, my lord, I am sorry. It is quite obvious that I have not made my position clear to your lordship, because that is not what I say.

THE CHAIRMAN: I am anxious to have it clear.

MR. SINCLAIR: Yes.

MR. SINCLAIR: What I understand the testimony has in mind, is that the prohibitive value is that because the spread in cents becomes greater on horizontal increase, and on that reason alone, therefore, their competitive position is worsened. Now, that is their position, as I understand it.

THE CHAIRMAN: On the face of it, it is.

MR. SINCLAIR: I say that that might be prima facie right, but I answer that by saying that that does not follow if we are in an inflationary period and transportation costs, which is only one factor in the case, has not increased greater than the percentage increase of other costs and on a comparison percentage-wise of transportation to total cost, Plan A versus Plan B.

THE WITNESS: We have not said, my lord, that that is the only respect in which our position has been worsened.

Q. With what respect?

A. We could also say that our position has been worsened in the obtaining of raw materials which enter into our production because the freight rates have increased on those as well, and where there is a comparative position, that comparative position has been worsened. That is very substantially a matter of freight rates in the United States.

THE CHAIRMAN: Yes, but according to your cost of production?

A. All I was saying was that there were other things that we had not brought forward too.

MR. SINCLAIR: I had finished, my lord.

THE CHAIRMAN: Anybody else?

MR. O'DONNELL: Senator Fogo, in so far as Exhibit 114 is concerned and the representations made therein, I

understand that is substantially similar to the brief which you have presented in Montreal to the Board of Transport Commissioners in the 30% Case?

THE CHAIRMAN: You understand what?

MR. O'DONNELL: I understand that the brief which has been filed here as Exhibit 114 is substantially the same as that which you presented to the Board of Transport Commissioners in Montreal in June 1948?

A. Very much the same - substantially the same, Mr. O'Donnell.

Q. And that you were examined at some length in connection with the various matters in the brief at that time and that the import of that examination will be found in the transcript in the 30% Case and I do not therefore need to go over it.

A. As a matter of fact I was not ^{there} but there was a witness who was.

Q. You mean an Algoma Steel Company representative?

A. Yes.

Q. So I won't take time but will refer the Board to the transcript in the 30% Case. Now the figures, Senator Fogo, which are set out at page 11 of Exhibit 115, the tonnage figures of total shipments which you give, those figures of representative articles are the 1947 figures?

A. That is correct.

Q. It would not be too much trouble, I hope, for you to get the figures concerning the 1948 shipments?

A. No.

Q. They have held up very well, I understand?

A. Yes, I think that is true.

Q. And in fact I would assume that they were quite in excess in some instances of the shipments shown for 1947?

A. I am not sure that these particular products would, Mr. O'Donnell. However, the production of the plant has held

... and that which
you have ... in Montreal to the ... of ...
... to the ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

...: ...

up extremely well.

Q. In any event, you would be good enough to get those?

A. Yes. That is on page 11?

Q. Yes.

A. You want the totals or to the particular points?

Q. Well, if you set them out in the same way I have no objection. If you just give me the tonnage shipments that would suffice, but if you wish to make a new page 11 showing the 1948 figures in all cases, that would be acceptable.

A. Right.

Q. Now as I take it from reading your brief and from hearing what you said, you are not certain (that is, the Algoma Steel Company) is not certain as to exactly what the powers of the Board of Transport Commissioners are concerning the horizontal increase, for instance?

A. That is correct.

Q. On the other hand, as a matter of general principle, would you not agree that with a regulatory board such as the Board of Transport Commissioners, that it is advisable that they should have the widest possible powers, and that their exercise should not be fettered in any way?

A. I think that is generally our position.

Q. And my thought is that the provisions of Section 325 (5) of the Railway Act give to the Board of Transport Commissioners exactly that type of power. It says, the part I am interested in:

"Notwithstanding the provisions of Section three of this Act the powers given to the Board under this Act to fix, determine and enforce just and reasonable rates, and to change and alter rates as changing conditions or cost of transportation may from time to time require, shall not be limited or in any manner affected by the

of experience.

Q. In any way, you would be disappointed to get these

A. Yes, I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

Q. What is the reason for this disappointment?

A. I am disappointed because in the way I have

been treated, I have been given the same old

same old treatment, and I am disappointed.

provisions of any act of the Parliament of Canada -"
etc.

A. I think our quarrel with it is that the Board in, shall we say, examining the just and reasonable rates, has refused to take into consideration certain factors which we think are relevant.

Q. But you agree that in principle that is the kind of power such a Board should have?

A. We have not gone so far, Mr. O'Donnell, as to say that the Board of Transport Commissioners should be the managing or rate fixing body. I think our idea is that the Board of Transport Commissioners should regulate the rates by reviewing them and supervising them much as they do today, except that they should take into consideration perhaps some of the factors that the railways take into consideration when they fix the rates. It is undoubtedly the case, I believe, that the railways themselves take into consideration the factors to which I have referred in this submission, when they are considering the making of rates. I do not think the railways have denied that, but the Board has not occupied the same position as the railways have, so that the railways, if you like, are weighing the economic factors and the relative position of industries and to some extent controlling their destinies, while the Board of Transport Commissioners is not exercising any supervision over that aspect of the railway activity.

Q. Do you suggest then that the just and reasonable rates which the Board must fix under the Act should be predicated upon an examination of the economic features of the competitive position of each company in any given industry?

A. That may be a very large order but it is predicated on the Board having and obtaining the same sort of information

that the railways have used to build up those rates.

Q. Well, should the fact, for instance, that one of the operators in the industry might have certain economic benefits as opposed to a competitor in the same industry be given weight too?

A. I think the distinction can be made between factors such as cost of production as distinct from location on the railway line or location in respect of the market. Take our case for example. I would not suggest that rail rates should be utilized to make up the difference between our costs of production and the those of Hamilton, although Hamilton may well be considerably lower, and we believe they are, or of Sydney. But I believe that the railways have considered the matters of our location and the location of Sydney in fixing freight rates in relation to our ability to provide traffic to get into the Montreal market say. I think that the Board of Transport Commissioners should have power to consider, or should consider that same thing, that they should consider our ability to sell iron and steel under existing freight rates to say the Canadian Market as we have described it.

THE CHAIRMAN: How would your ability be measured? How would they ascertain your ability to sell?

A. Perhaps I should say in so far as freight rates were concerned, my lord. That is, they should not in a negative way by the adjustment of freight rates prevent us from getting in there if we can get in otherwise.

MR. O'DONNELL: Well, should the Board, for instance, take into consideration the distance you may have to transport your raw materials in the first instance as opposed to the distance which your competitor has to transport his?

A. I rather think not.

Q. In other words, you would retain whatever economic

advantage you might have in that respect and not wish that to be examined in the overall examination of your advantage or disadvantage?

A. I do not think there would be any objection, Mr O'Donnell, to the Board examining that feature of our cost.

THE CHAIRMAN: The question is, should the Board be obliged to do so?

A. Yes, I understand that.

Q. You see, you cannot avoid that. As soon as you use the word "ability" that comes in. We are trying to get out of the difficulty. All we can do is recommend that the Railway Act be amended in certain particulars in order to provide guidance to the Board. Guidance to the Board, you see. You have to get your amendments down to specific words. Of course, I need not tell you how important it is not to make a mistake in the wording. Now the Board has said many times and I have one right before me, they say it is not the Board's duty as relegated by Parliament to make rates to develop business but to deal with the reasonableness of rates. I have no doubt they have in mind the reasonableness of rates imposed on shippers. That means of course, shippers who are shipping a product originating in Canada. Isn't that right?

A. Well, the Board has often said, my lord, that mileage is not the only fact to be considered.

Q. They do not say that here.

A. No, but certainly the present rate structure does not depend on mileage alone but we are dealing with an existing rate structure and certain changes in it which would be made from time to time. We are not starting entirely from scratch and we have this situation, that an industry is in existence and is in fact able to sell products

in a given market at the particular time. Now our suggestion is that the increases of freight rates ought to be tempered -- regulation of freight rates -- ought to be tempered in such a way as to not take people out of their market in comparison with their competitors.

Q. Well, how would you express that in legislation? Would you undertake that?

A. No, I think that is an extremely difficult thing.

Q. I think you go this far, that you do not think that horizontal increases should be allowed. Did you say that?

A. In cases such as this, certainly.

Q. But who is going to decide on which side of the line a given case would fall? That is the trouble.

A. I suppose the term "horizontal increase" has now acquired a meaning to mean percentage increase as distinct from your horizontal increases by flat amounts or increases by flat amounts. I should think that from what I have heard of the discussion on horizontal increases that generally speaking the same thing can be accomplished by the use of flat amounts of increase in dollars and cents, and the adjustment of them in respect of basic commodities.

Q. So would you say then, in your given case, that before this last increase the difference to get your product to a certain market and to get a products from Hamilton to the same market, was so many dollars and so many cents and that it should remain that way?

A. No, we do not say that. What we said, my lord, in the 30% Case was that the increase on iron and steel products should be limited to 4¢ per hundred pounds which was 80¢ per ton.

Q. Is that a maximum limit?

A. That would be the maximum limit, and that was following the practice that had been adopted in the United States in respect of iron and steel and some other primary commodities which were of low value, heavy products, in which the---

Q. Do you particularize those things in your submission?

A. Yes, my lord; they are at---

Q. Well, we will find them.

A. I will just give you the reference. I think they are set out, my lord, in the letter of January 28, 1949, from our company to the Secretary of the Board of Transport Commissioners.

MR. F. D. SMITH: Exhibit 117.

THE WITNESS: Then it is in Exhibit 117.

THE CHAIRMAN:Q. The one that we had this morning?

A. At page 6, yes, my lord.

Q. What does that letter say?

A. In this respect -- because it is quite a long letter -- it says:

"The second recommendation of Algoma was that any increases on rates on iron and steel products should be subject to a maximum limitation of 4 cents per 100 lbs. This was in line with the express terms of the Petition of United States Railroads to the Interstate Commerce Commission in Ex Parte 162, and a relevant quotation from that Petition was included in the Algoma brief at page 4. In their answer the Railways failed to mention specifically that the Interstate Commerce Commission in Ex Parte 162 accepted the principle of limitation of increases on such products and that whereas the general increase was 20%, a limit of 10 cents per 100 lbs. but not in

excess of \$2.00 per ton was imposed (vide decision Ex Parte 162).

"A further examination of the tariffs published by United States Lines by authority of the Interstate Commerce Commission shows that the Commission adopted the principle of applying maximum limitations not only in the case of iron and steel products but also to asphalt, brick and building tile, building wood-work and millwork, cement, cotton, fertilizer, certain food products and fresh fruits, lime, lumber, oils, ore and sinter, plaster, salt and salt cake, tar and pitch, and many other products in line-haul carload rates."

THE CHAIRMAN: Q. Is there anything to prevent the Board to-day applying that same process?

A. I think not.

Q. Then would you go so far as to say that---

A. Except the Board's disposition.

Q. ---it should have been made obligatory on them to apply them -- always remembering that amendments to the Act are suggested?

A. Well, of course, one recognizes the danger of attempting to lay down a specific direction in respect of a specific commodity to a regulatory Board; but I believe that in dealing with basic commodities the Board might well be directed by statute to apply increases or apply limitations to increases say when you get beyond a certain number of miles -- someone has suggested 400 miles, in long hauls of basic commodities say over 400 miles -- that some limitation to the horizontal percentage basis might be applied. That is in reality what has been suggested. Whether you could do that by specific---

Q. Whether that could be put properly into a statute or not is a question; you say you do not see why it might not be done?

A. It is difficult, but I think it could be done, my lord.

Q. Your suggestion is that rates should be set according to such a method?

A. Yes, I think the method appears to have worked in the United States, where conditions are in many respects the same.

THE CHAIRMAN: I do not think we have been wasting time, Mr. O'Donnell.

MR O'DONNELL: No, not at all; I am sure you have not.

COMMISSIONER ANGUS: Q. May I ask a question, Senator Fogo?

A. Yes.

Q. Would you leave the extent of the maxima to the judgment of the Board?

A. I think you would have to.

Q. Realizing that if you make the maxima high enough you approximate to a percentage increase?

A. Oh, of course.

Q. I mean, a regulation would not have much more than the value of an exhortation?

A. Well, if you go to the other extreme, and say you must equalize any increase as between competing concerns, you are driven into a position where the man who is close to the market may have to absorb an increase which is unreasonable, and by adopting a middle course by means of limitation or by some such formula you do distribute the burden in a different manner and thereby preserve to a degree the competitive relationship. Now, I should think that the place of imposition of the limitation would depend on the location of the competing units and the distances between them and the distances of such units from the common market.

MR O'DONNELL: Q. I take it that you concede, Senator Fogo, that in certain cases the Board should have the right to impose horizontal increases if it were felt that was the proper way to provide for an increase?

A. Well, I do not want to be in the position of condemning horizontal increases in one breath and approving them in another.

Q. As a matter of practical handling of the situation, you realize that there are millions and millions of rates in the various tariffs which are on file, and that

railways in any given instance might need additional revenue by reason of increased costs of operation and other matters, and it is possible, as the Board said, that ^{is} that/the only practical way to handle the over-all picture, is it not?

A. I can see many cases where there would be no objection to the application of horizontal increases.

Q. Then don't we get back to what the Chairman suggested, that somebody, some Board or some judge, must determine in which case the horizontal increase is the method to handle it and in which case it should be handled in some other way, whether by way of a flat increase as you suggest in cents per hundred pounds or otherwise? Somebody has got to decide that?

A. Well, the railways decide it now, do they not?

Q. Subject to control by the Board of Transport Commissioners.

A. I agree with you, that should be the concern of someone other than the carriers themselves.

Q. And should not that someone have the broadest powers of dealing with the proposition? That is why I read to you the extract from subsection 5 of section 325, containing the powers under the law at the present time, which, incidentally, have been interpreted by the Supreme Court of Canada in the case of the Government of Alberta v. Canadian National Railways, 1931 S.C.R. 656, at page 668, where the Chief Justice said that those were powers of the most sweeping character. Isn't that the best way to handle this very intricate, difficult matter, to leave it in the hands of a Board, whose judgment and discretion must be relied upon in the final analysis, subject to whatever appeal is provided for by the Act?

THE CHAIRMAN: What case is that?

MR O'DONNELL: That is the Government of Alberta, my lord, v. Canadian National Railways, 1931 Supreme Court Reports, page 656, at page 668, in the judgment of Mr. Justice Rinfret, as he was then, where he characterizes that section as containing powers of the most sweeping character.

THE WITNESS: That is a general statement. Powers of a sweeping character may not go far enough, Mr. O'Donnell. I am suggesting that there should be an examination of the powers of the Board to make sure that they do have the power to do the thing that we are complaining about.

MR O'DONNELL: Q. Then you may remember, Senator, that during the 30% case the very question of the right of the Board of Transport Commissioners to grant horizontal increases was made the subject of an application to the Supreme Court of Canada for leave to appeal, and Mr. Justice Kerwin refused the leave to appeal, holding that the Board had the powers such as I have just indicated to you, and that it could entertain an application for a horizontal increase?

A. I have not questioned that for a moment. I mean, it has not been---

Q. And as a matter of fact we note that in both the judgments -- in the 30% case, which resulted in a 21% increase, and in the 20% case, which resulted in a judgment for an 8% increase -- the Board used both methods, the horizontal increase percentagewise and the flat increase of so many cents per pound in the case of coal?

A. You mean in respect of coal.

MR FRAWLEY: The railways asked it.

MR O'DONNELL: Well, the railways asked for it, but the Board could have handled the whole thing. It had the most sweeping powers, and it saw fit to make use of both types of increase, both the horizontal percentage increase and the increase in cents per ton. You will remember, my lord, that in the 21% case, in so far as rates on coal and coke were concerned, they were authorized to be increased 25 cents per ton in the 21% case, and in the 20% case rates on coal and coke may be increased 8 cents per ton for either single or joint line hauls, so that the Board has no doubt, in my respectful submission, my lord, as to what its powers are; it uses both, as the case may be.

Q. Now, in your case, or the case of the Algoma Steel Company, Senator, your company did not, as I understand it, see fit to avail itself of what I term the invitation of the Board of Transport Commissioners as conveyed to all persons interested in the judgment which it rendered in the 21% case to attend upon it at some later date and put its particular problem before the Board for adjustment in case an adjustment might be justifiable? You will remember that at page 65 of the 21% case judgment, as well as at page 46, where the horizontal increase, straight percentage increase as it is there called, is referred to, the learned Chief Commissioner at that time said, referring to the strong exception which had been taken to the granting of a straight percentage increase---

A. Did you say 65?

Q. Yes, of the 21% case, at about the middle of the page -- the third paragraph:

"While there are a number of individual cases where discrimination in rates is alleged to exist and it may be that some of these require special and

separate consideration, on another occasion. But they do not seem to be so outstanding as to require separate treatment in a case of this nature."

The judgment suggests that anyone who is adversely affected should return to the Board for an adjustment. Now, is not that the best way to leave the matter? If your company, as a result of a horizontal increase, is adversely affected, under the law as I understand it and under the invitation which the Board conveyed to anyone adversely affected, you may return to the Board, put your facts and figures before the Board, and ask for an adjustment of the order as made. Is not that the practical way to handle this very complicated, intricate and all-reaching type of legislation concerning rates?

A. In my opinion, no.

Q. Well, that is fair enough.

A. I do not see why we should be called upon to come back, Mr. O'Donnell, when a matter is before the Board and they are seized of it, why they should not deal with it in the first instance, as they did with your request in the matter of coal, which was exactly similar to our request in the matter of iron and steel. They considered your request for a flat limitation on the increase on coal, and they granted it; they did not deal with iron and steel products in the same way, and that is our complaint.

Q. Because possibly you did not put before the Board the information which was necessary for the Board to deal with your case?

A. Well, perhaps because we have not found out what that is.

THE CHAIRMAN: Did not this company apply to the Board?

MR O'DONNELL: They appeared before the Board,

my lord, that is right, before the Board rendered its judgment, but I am speaking of the invitation which is contained in the judgment itself, to return before the Board and put their particular case in sufficient detail for the Board to deal with it.

THE WITNESS: Yes, but it was not suggested to us, Mr. O'Donnell, that we had not submitted sufficient information before the Board, and counsel for the railways never suggested that we had failed to give all the necessary information.

MR O'DONNELL: Q. But when you got the judgment, Senator Fogo, or when Algoma Steel got the judgment, it saw that its case had not been made the subject of any exception?

A. Quite.

Q. And would not that have been the time to accept the invitation of the Board and return for the adjustment which would be forthcoming, as I understand it, in the event that you could make out a case?

A. Well, there were two or three things that had a bearing on that. One was that there was an appeal from the 21% case; two was that there was a general freight rate investigation ordered, under either of which we might have got relief.

Q. Yes?

A. And three, we anticipated there might be a Royal Commission which might help to clarify the situation.

Q. And four?

A. And four, to be frank with you, I only discovered very recently that that invitation, as you call it, is there, since this matter has been under discussion.

Q. Well, that is quite the way I thought it might be.

THE CHAIRMAN: Q. What did you say you only dis-

covered recently?

A. Only discovered shall I say in the last week, my lord, that the invitation, as Mr. O'Donnell calls it, is there. I read somewhere where something was suggested that three people had taken advantage of this, and that Algoma Steel was one of them and the other was Dosco and a lumber company, and I take it that our acceptance of the invitation was the filing of this brief in the general freight rates application, so far as I can tell; I don't know. To be frank, I doubt if it is well known that the invitation to cure injustices that you refer to is in that judgment.

MR O'DONNELL: Well, as I read it, anyone who reads English will see it there.

THE WITNESS: I agree.

MR O'DONNELL: Q. And I take it you did not realize that the law was as broad as it is and as all-beneficial as it is?

A. That may be so.

Q. That being the case, would not that handle your---

THE CHAIRMAN: I was going to ask, Mr. O'Donnell, for the reference to that decision of Mr. Justice Kerwin's.

MR O'DONNELL: My lord, I will have to get that; I will be glad to get it. I am told it was 61 C.R.C. It was just at the outset of the hearings in the 30% case. I will be glad to get a copy of it, my lord.

Q. I was just going to suggest to you, Senator Fogo, that if the law is as broad as I suggest it is, and if you have under the law as it now stands the recourse which I think is there, to go to the Board of Transport Commissioners and make your case, showing how the percentage increase adversely affects your particular company in its particular industry, that would be sufficient for what you

have in mind?

A. In other words, you are suggesting we should not be here; is that it?

Q. No, I am not suggesting that; you are entitled to be here; but I am simply saying that if the Commission came to the conclusion that the law is as I think it is in section 325(5), and as a result of the various interpretations of the Act both by the Supreme Court and by the Board itself, you might not be here as a matter of fact but might be ultimately before the Board of Transport Commissioners?

A. Is not the situation this -- I was going to say you are put in the position of going back to ask a Board for something and the Board has already decided the contrary; despite the qualification, they have actually imposed the increase on the percentage basis, and you are coming in after the event asking the Board to that extent to reverse itself. Then, moreover, in the 8% decision there is something else held out, you might say to us, in the paragraph on page 11 under horizontal increases; it is suggested that some relief may be accorded under a general freight rate investigation too.

Q. But there is nothing to prevent you from going immediately with your case and saying, "Here, we are directly affected, and we want our case to be heard on its own merits"?

A. I do not know that the Board would hear it at this stage.

Q. Well, the good book says, ask and you shall receive.

A. Well, there are a good many things pending before that Board at the moment.

MR O'DONNELL: You see, my lord, at page 46 of

the Board's judgment in the 21% case, under the heading "Straight Percentage Increase", it says:

"On behalf of a number of the respondents in this case it is submitted that a straight percentage increase in freight rates would restrict the distance to which some goods could be marketed in competition with competitors located a shorter distance from the same markets."

Then it goes on to mention some of the representations which were made. Then:

"This general statement was not supported by any evidence with respect to actual traffic movements. To what extent shippers' markets would be actually restricted is, I think, unpredictable. There is nothing on the Board's records to show what the situation was with respect to that feature following the general increase in rates authorized in 1918 and 1920."

And then further on the remarks to which I have already referred.

(Page 8127 follows)

THE CHAIRMAN: They are talking of something which is unpredictable. Doesn't that mean: we should wait and see how this increase works out, and then come back?

MR. O'DONNELL: That is quite true.

THE CHAIRMAN: But that is not what they say. They talk about something not being predictable when they say "come back after the working out has developed."

MR. O'DONNELL: In my respectful view, at page 65 they envisaged the possibility that there may be, my lord, some discrimination which may need adjustment, because in a number of cases where discrimination in rates may be alleged, it may be that some cases would require special examination under special occasions.

THE CHAIRMAN: Why don't they deal with them?

MR. O'DONNELL: The Board was faced with an application to increase all the rates and tariffs, and that meant millions and millions of rates. So the only practical way to grant relief to the railways, which the railways contended they needed, was to handle it in this way: to leave it to those who might be affected adversely, the right to make a special application.

THE WITNESS: We could not, at that stage, supply any evidence of what this increase had done to us, because this increase was in the offing. But we did show the calculated effect of it.

MR. O'DONNELL: Q. But the day after the increase was put into effect, and you knew that it was actually a 21 per cent increase, your accountants could have determined what the increase would mean on your shipments for the year and how you would be affected adversely.

A. We had to do that.

Q. And that would put you in a position to return and make application, which the law allows you to make?

A. I have already explained that we did not do it.

Q. I know. Now, in respect to ex-parte 162, the I.C.C. judgment, my lord, as I understand 162 from the way I read it, percentage increases were granted from a 20 per cent increase so that the restriction in the case of iron, pig iron, and so on, was 20 per cent, subject to a maxima of 200 tons. They did handle it on the basis of a percentage increase; but they did limit the amount of the increase to so many dollars per ton.

We have the evidence of our own board considering that it did have similar powers, because, in these two judgments, the 21 per cent and the 20 per cent judgment, they actually give evidence of operating under both forms of relief, either a straight percentage increase, or an increase in cents per hundred pounds, as in the case of coal.

THE CHAIRMAN: You are on Alberta coal now, are you not?

MR. O'DONNELL: In coal.

THE CHAIRMAN: We heard complaints about that in Saskatchewan.

MR. O'DONNELL: But, on the other hand, my submission is that the Board has the widest and broadest power to handle it; and to control just and reasonable rates. But somebody has to decide, finally, and is vested with the power to do one or the other, or a combination of one and the other. I don't want to take up too much time.

Q. You have mentioned, Senator Fogo, that you thought the Board should have power to review the business

"effects of rate changes on competitors. Is my note right, there?

A. I do not recall using that expression.

Q. I understood you to use the words "business effects".

THE CHAIRMAN: Q. Isn't that a thing they would have before them from the outset? That is to say, they are asked to provide a horizontal increase of a certain percentage. Cannot your firm, for instance, show right away how that would affect your rating on your goods to Montreal, and the Hamilton firm, in the same way?

A. Yes.

MR. O'DONNELL: Yes. That is right. But the business effects, do they take into consideration the over-all picture of your own particular company, using the figures as to where it gets its raw materials, and the cost of those raw materials, and relate that to the sale and delivery to a given point of the finished product?

A. It does, in a way, because we are dealing with freight rates on our commodities. In that sense that was the application, or a general application which applied to not only everything we made and sold, but to everything we bought. So the effect, if it was adverse, was adverse in both fields.

THE CHAIRMAN: Would it be adverse to you on what you bought, and it would increase your burden; but would it be higher than what the people at Hamilton would have to pay, and the people in Sydney, depending on where it was coming from?

A. Not necessarily.

Q. I understood you to say that a great deal of your ingredients came from the United States?

A. Both coal and ore.

Q. And most of the transportation is paid by them before you buy it?

A. Yes, a good deal of the transportation through the lakes.

Q. Well, all right, go on.

MR. O'DONNELL: Q. Dr. Innis asked you what proportion of your scrap came from the west. I don't think you gave a figure. You told us where some of it came from; but could you give the proportions?

A. I do not think I could give it, for this reason: that during the past few years, scrap metal has been pretty tight, and we have been getting scrap wherever we could. But it has eased a good deal.

Our natural place to get scrap is in that part of Canada and the United States adjacent to us on the west, rather than on the east. I mean, we are nearer to northern Michigan and Wisconsin than we are to that part of Ontario in which scrap is produced.

But at the same time, we were precluded from purchasing scrap in the United States at certain times, and we had to get it from the west coast.

Q. But can you not give me any breakdown of the percentage it cost?

A. That could easily be obtained and I think it might be a useful thing to have, because it would disclose that our cost of obtaining scrap is very much higher than, at Hamilton, for example. I mean, by virtue of transportation.

For example, the Hamilton company and ourselves, we both buy quantities of scrap in Montreal. And in the

transportation of that scrap from Hamilton to Montreal or to Sault Ste. Marie, we pay three or four dollars more to move it to the Soo.

Q. And in the case of your iron ore?

A. As to iron ore, I do not know where the Steel Company of Canada gets its ore, but I presume it is from somewhere around Lake Michigan.

Q. A considerably further distance than you would have to go?

A. Well, the difference in freight is not very much, actually.

Q. I think we went into that in Montreal.

A. Well, you did not, actually. But if you are going into it it would be necessary to establish, from my plant, that our costs of transportation of raw material are higher than those of the Hamilton company, on ore, coal, and scrap.

THE CHAIRMAN: Q. Then you would not want to say that, consequently, the cost of the transportation of your finished product to the market ought to be lower?

A. No, my lord.

Q. How far do you go? You must argue something from that?

A. That was not set forth in the brief at all, my lord. That is, no contention is meant or based on our cost of production.

Assuming that we were on an equivalent basis with Hamilton and Sault Ste. Marie, we are asking that there should be some consideration in freight rates to allow us to get to markets whatever handicaps we have by virtue of our location.

Q. That is, if you were handicapped by being further away from your source of supplies, and in having

to pay more freight to get your material?

A. No, it is not that, my lord; we are closer to iron ore. The transportation of our iron ore is slightly less than to Hamilton.

MR. O'DONNELL: Q. Where is yours?

A. Most of ours comes from the States, from Duluth, Marquette, plus some of our own.

THE CHAIRMAN: Q. Whatever raw material you get from Montreal costs you more in freight rates than it does the Hamilton manufacturer?

A. Yes. That is the counteracting element.

Q. What do you say follows from that? What do you want done about it?

A. We are not arguing from that.

Q. You just give it as a fact, and you are not arguing. I thought you said all these things ought to be taken into consideration.

A. The railway counsel attempted to set up that if we had a disadvantage in getting from Sault Ste. Marie to the market, then we had an offsetting advantage in the procurement of our raw materials, which would be more than sufficient, as I understood it, to offset any disadvantage that was created against us in the matter of freight rates.

Q. Either you think or you do not think that these matters should be taken into consideration in fixing the rates on freight which your company should pay to get your product to the market. Do you think that ought to be? Because, if it ought to be, then the Board would have to do it.

MR. O'DONNELL: Q. Is not your company getting iron ore from a mine of its own?

A. Yes.

Q. And where is that mine situated?

A. It is in the Algoma district, about 180 miles north of the Soo.

COMMISSIONER INNIS: Q. That is a very expensive ore which is beneficiated?

A. Yes. It is a low grade ore which is beneficiated at the mine. As a matter of fact, we sell a good deal of it, and only use a comparatively small part of it ourselves. It brings a premium in the States.

MR. O'DONNELL: Q. You suggest, as I understand it, that geographic and economic conditions should be considered, and the shipper should be considered when freight rates are being fixed. Isn't that more or less equivalent to a consideration of the shipper's ability to pay?

A. No. I do not think so. You mean his ability to pay freight?

Q. Yes.

A. Well, I think that is right, yes. That is, I thought that you meant "ability to pay" in the sense of ability to make a profit.

Q. When you finish your steel, you fix a price on it, and that is your price?

A. When we make a ton of steel, we have to make a price which will be acceptable in a certain market.

Q. And the buyer who wants it has to pay that price for it; and I suppose you usually deal with people who can actually pay it?

A. Yes.

Q. And your price is based on the value of your product and the service which goes into it?

A. Yes.

Q. Then why isn't that a fair way to fix the freight

rate, on the value of the service which the railway companies give you, under the ceiling which is considered to be just and reasonable by the Board of Transport Commissioners? Why should there be further need for regulation?

A. I understand that if that were done, the freight on a ton of steel would be very much more than it is at present.

Q. Yes, because the Board --

A. I do not know very much about this subject, actually; but I understand that the rates on such commodities as iron and steel, and low value commodities, do not carry an equitable share of the cost of providing service, in that sense, that if we were laden with the actual cost of moving that ton of steel -- or if the consumer was -- then our freight rates would be very much higher than they are now.

Q. And that is why the Board, just in the first instance, fix a ceiling, beyond which the railways cannot go?

A. To regulate the manner in which the railways do it.

THE CHAIRMAN: Q. In any case, there would have to be a certain freight rate to carry these products from this plant at Sault Ste. Marie to Montreal. And, instead of your company, if there were five or six different companies at Sault Ste. Marie all manufacturing the same product, but some of them with higher costs of production than others, they would, nevertheless, all have to pay the same freight rates.

A. Certainly. I think that is the difficulty I have that you are asking me about, going into the cost of production in a given company. I think you can only

go back to a point, then you get into consideration of: who is efficient and who is not.

Q. And the next step would be: what difference does it make, or does it make a difference if these various companies, instead of dealing all with the one point, deal with different points?

A. From our standpoint, the ideal thing would be that each of us pay the same amount to get to the market. Apparently that has to be tempered.

Q. There is a ceiling on rates?

A. Yes, in a sense.

Q. The natural way to do that would be to have a monopoly?

A. Well --

CROSS-EXAMINATION BY MR. BARRY:

MR. BARRY: Q. Is it not a fact, Senator Fogo, that you do disagree with the Board's present method of applying horizontal increases?

A. That is correct.

Q. My learned friend, Mr. O'Donnell, asked if it was not proper to go back to the Board, on the ground of hardship, and argue. Isn't that the reason why you do not? The reason being that the Board seems to have precluded itself from considering the very things you are now complaining about, if not by its decisions, at least by the statement of some of the members of the Board, that they were not interested in the relevant positions?

A. I think --

MR. O'DONNELL: Q. But you said last week that they could?

A. No, I did not. I think, in a sense, that is true, that the Board has indicated that they won't give

weight to the factors that are present in our case.

MR. BARRY: Q. Two members of the Board made a statement to that effect, did they not?

A. I am not sufficiently familiar with their decision to say. But I believe that is correct.

Q. The interpretation placed on Section 325, which was referred to by Mr. O'Donnell -- the interpretation placed upon it by the Board is not what it appears to be, from his reading of it.

A. I think it undoubtedly accepted the view that the Board has put a narrow construction on that section, despite the statement by the court that the Board has very special powers.

I do not think there is any disagreement in the minds of the lawyers that I know on the fact that the Board has narrowed its powers.

Q. And you feel that there would be no point in going back to the Board if that is their view?

A. I won't say that, because we may have to go back.

MR. COVERT: Mr. Chairman, the next submission is that of the Federation of Automobile Dealer Associations of Canada. I understand that Mr. Frawley is going to present that.

MR. FRAWLEY: My lord, I should perhaps explain why I am doing this. I am doing this because the two gentlemen who are here to present this brief carry on business in the City of Calgary, and purely as a courtesy to them I wish to assist them in every way possible. Mr. McCullough, Mr. Wilson, and Mr. McCutcheon.

- - - - -

MR. E. A. McCULLOUGH CALLED

EXAMINED BY MR. FRAWLEY

Q. Now, Mr. McCullough; you live where?

A. I live in Calgary, Alberta.

Q. And you carry on business there as an automobile distributor?

A. An automobile dealer, yes.

Q. How long have you been in that business, Mr. McCullough?

A. Thirty-two years.

Q. Now you are also Chairman of the Board of the Committee of the Federation of Automobile Dealer Associations of Canada?

A. That is so.

Q. And you have collaborated in the preparation of a brief addressed to this Commission?

A. Yes, I have.

Q. And you have also with you Mr. H. I. Wilson of Calgary?

A. Yes, Past President of the F.A.D.A.

Q. And you bring with you also a Mr. McCutcheon who assisted you in the preparation?

A. Yes.

Q. Would you stand down for a minute? I would like to put Mr. Wilson in the record.

- - - - -

MR. H. I. WILSON CALLED

EXAMINED BY MR. FRAWLEY

Q. Mr. Wilson, you live in Calgary too?

A. Yes.

Q. What is your business?

A. Automobile dealer.

Q. Automobile dealer, and further you are a Past President in the Federation of Automobile Dealer Associations of Canada?

A. That is right.

Q. And you have assisted in the preparation of this brief and have come here from Calgary to support its presentation to the Commission?

A. That is right.

- - - - -

MR. E. A. MCCULLOUGH RECALLED

EXAMINED BY MR. FRAWLEY

Q. All right, Mr. McCullough, will you proceed to put the brief into the record by reading it, or discussing the purport of it with the Commission?

SUBMISSION
OF
FEDERATION OF AUTOMOBILE DEALER ASSOCIATIONS OF CANADA
to
ROYAL COMMISSION ON TRANSPORTATION

Mr. Chairman and Commissioners:

Federation of Automobile Dealer Association of Canada, consisting of approximately 3000 dealer members from coast to coast in Canada,

is pleased to have this opportunity of presenting to the Royal Commission on Transportation its views on an existing situation which it feels jeopardizes the economic existence of franchised dealers of automotive vehicles in various sections of Canada, and which, if not righted, will not only cause havoc to those dealers, but will result in recognized carriers being denied revenue to which they are entitled for the transportation of automotive vehicles from Eastern Canada to the said sections of Canada.

We ask your Commission to record and consider the facts and views as outlined herein, and to assist in finding a way of overcoming the present situation, which if not corrected will continue to react in an increasingly disastrous manner against the aforementioned franchised dealers and recognized carriers in favor of used car operators and others who in our opinion are definitely not entitled to the benefits which they are at present enjoying:

- (a) Used car operators and others are "roading" (i.e. driving over the road) automobiles and trucks from points in Eastern Canada to other Canadian sections, and particularly to points in Western Canada.
- (b) This procedure enables used car operators and others engaged in this practice to have vehicles "roaded" at a cost appreciably lower than freight charges paid recognized carriers by franchised dealers.

- (c) Recognized carriers are denied haulage of the vehicles and
- (b) Business is taken away from franchised dealers.
- (e) We consider that steps should be taken to eliminate the aforementioned unfair practice in a manner which would allow vehicles to be transported by recognized carriers and handled by franchised dealers, to whom the business rightfully belongs.
- (f) We firmly believe that a remedy can be applied only by an adjustment in freight rates in a manner that would return transportation of the vehicles to recognized carriers, and which in turn would automatically result in business being handled by franchised dealers.

We should at this point mention that it is our intention to formally apply to the Canadian Freight Association for adjustment in certain freight rates, which application will be accompanied by necessary facts and figures in support thereof.

Freight rates on passenger automobiles are appreciably higher than charged for transportation of trucks, and, generally speaking, it is our intention to request railways to reduce freight rates on passenger cars to the basis applicable to trucks. Records maintained by dealers indicate beyond doubt that damage claims on passenger cars submitted to carriers do not exceed claims for damage to trucks.

The practice of "roading" vehicles from Eastern Canada to other points in Canada was instituted in 1946, and the number of vehicles "roaded" has increased each year.

It has been estimated that between 5000 and 7000 vehicles were "roaded" from Eastern Canada to the Western Provinces in 1948, and that between 6000 and 7000 vehicles have been "roaded" up to the present time in 1949 to the same Provinces.

The above figures will indicate the large losses that are being suffered by recognized carriers and by franchised dealers through the said "roading" practices followed by used car dealers and others.

It has been established that expense incurred by used car dealers and others in "roading" a vehicle from Eastern to Western Canada is lower by approximately \$100.00 than the charge made by recognized carriers.

Manufacturers have done everything in their power, in line with their contracts and distribution, to eliminate this unfair competition, but can do nothing further to stop practices being followed by used car operators and others in "roading" cars from Eastern Canada.

Another feature that, we think, should be given serious consideration, concerning the unfair situation created by "roading" vehicles by used car operators and others, is the fact that while franchised dealers have huge amounts invested in buildings, stock, equipment, etc. the used car operator and others are in a position to conduct their business on relatively small outlays.

Used car dealers and others follow various practices in "roading" vehicles for long distances. Sometimes drivers are flown to Eastern Canada; advertisements are placed in newspapers for drivers; it has been found that railway employees have even made use of railway passes to travel to Eastern Canada for purpose of returning with "roaded" vehicles - thereby actually taking business away from their regular employer; at other times an automobile is despatched with a crew of drivers to Eastern Canada, the automobile then used to tow another vehicle over the road from Eastern Canada to destination.

It might be stated here that while Railway Rates have been increased, the cost of "roading" vehicles has not increased to any extent.

Trucks are often "piggy-backed" (i.e. one truck loaded on top of another truck); a passenger car, by means of tow-bar, will tow another vehicle, meaning that two vehicles may be handled by one driver.

Vehicles have been "roaded" singly and in caravans consisting up to 24 vehicles.

Vehicles are "roaded" from Eastern Canada to Calgary in four and five days, as compared to railways taking seven and eight days to transport automotive vehicles from Windsor to Calgary.

As stated in earlier part of this submission, we are strongly convinced that the only way in which the unfair practice of "roading" vehicles can be eliminated, thereby enabling traffic being transported in its entirety by recognized carriers, and avoiding what might easily result in utter chaos to franchised dealers, is by freight rates being adjusted on passenger cars, and in further support of our contention in this respect, we offer the following reasons:

- (1) Automobiles and Trucks are the only commodities that can be "roaded" for long distances entirely under their own power. This in our opinion constitutes a real competition which must be faced by the recognized carriers.
- (2) Roads have been improved, since freight rates were established on automotive vehicles, to an extent that no difficulties are encountered in "roading" automobiles and trucks. Roads are kept open all year. This is another competitive feature that must be seriously considered by railways.
- (3) To offset freight rates charged by recognized carriers, large companies operating fleets of vehicles (automobiles and trucks) will purchase vehicles in Eastern Canada and "road" same to destinations with their own driver.

(4) In earlier years, at the freight rates then

charged, it would not pay a used car dealer or others to travel to Eastern Canada and drive vehicles back to destinations. This situation has now been entirely changed. Under present freight rates and road conditions, it is advantageous for the man on the street to travel to Eastern Canada, purchase vehicle and drive it back to his home.

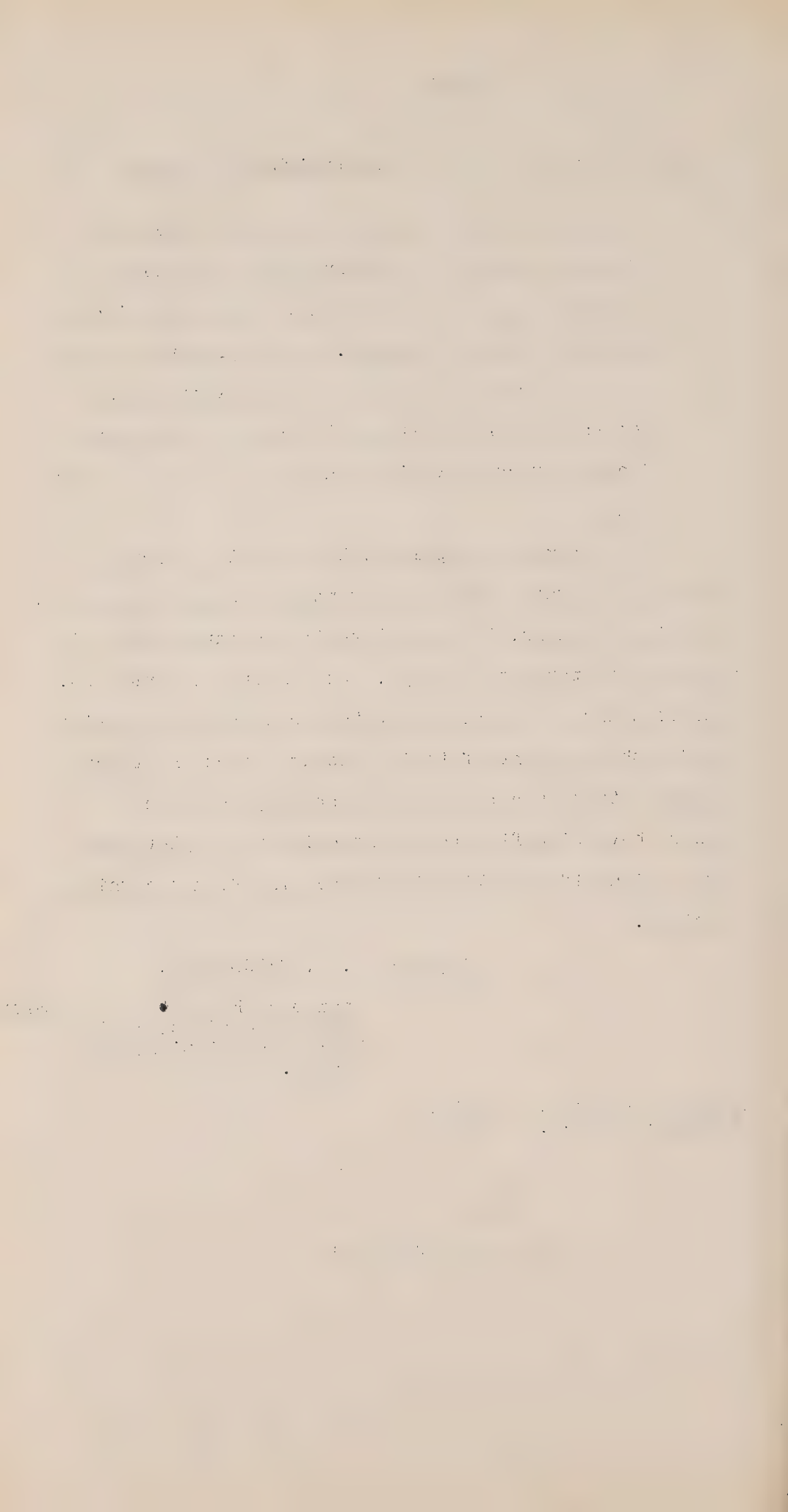
If no remedy is applied, by recognized carriers adjusting freight rates in the manner as suggested herein, franchised dealers, to protect their own interests, will be forced to take other steps. As a matter of interest, some franchised dealers are at the present time negotiating for the movement of their passenger cars and trucks by means other than recognized carriers, and such dealers have signified their intention to complete the negotiations if no relief is forthcoming from recognized carriers.

(Signed) E. A. McCULLOUGH,

Chairman, Freight Rate Committee,
Federation of Automobile
Dealer Associations of
Canada.

Dated at Toronto, Ontario,
November 9, 1949.

(Page 8150 follows)



Q. Have you anything to add, Mr. McCullough, to your memorandum?

A. I think that covers it fairly fully, Mr. Frawley.

^e EXAMINATION BY MR. COVERT:

MR. COVERT: Now, Mr. McCullough, there is one thing that I think perhaps is quite important and that is in effect you say that the only remedy to this situation which you allege exists, is lowered freight rates on cars. Is that right?

A. Yes, that is a more equitable freight rate structure, yes.

Q. Now at the bottom of page 2 you say "It has been established that expenses incurred by used car dealers and others in roading a vehicle from Eastern to Western Canada is lower by approximately one hundred dollars than the charge made by recognized carriers". Is that correct?

A. Yes.

Q. That would mean then -- I suppose freight rates must be at least one hundred dollars lower in order to stop this practice?

A. Well, not necessarily. The railroad has the advantage of shipping them out. They will deliver right to your warehouse and I think in the matter of safety and other features that the dealers generally are willing to pay the railroads more money than it would cost to ship them the other way.

Q. I don't think you have answered my question Mr. McCullough. It seemed to me that if this practice saves about a hundred dollars it seems to suggest that the freight rate would have to be at least one hundred dollars per car lower in order to stop the practice. You say that is not so?

A. No, I say that is not so.

Q. What would you estimate would be the decrease required?

A. Well, I would assume that if freight rate was reduced,

say about fifty dollars on cars to the west it would make a very great difference.

Q. Do you think it would stop the practice?

A. It would stop most of it, yes.

Q. Then in the last paragraph of your brief you say "If no remedy is applied by recognized carriers", that is if they do not lower their rates by somewhere between fifty and a hundred dollars per car, I take it, "That the franchised dealers to protect their interests will be forced to take other steps". What are these other steps?

A. The other steps are that the dealers are naturally concerned about these drive-ins and dealers have been approached by people wanting to go into the business, by truckers, and the difference being what it is, they think that they can make money in that business.

Q. In other words, there^{is} apparently a remedy other than the decrease in freight rates. Is that it?

A. Yes.

Q. In other words, what they will do is to road the vehicles themselves or to hire trucks?

A. There is the remedy that the vehicles can be roaded out there cheaper than they are coming in by freight.

Q. And do I understand the other remedy is possibly the use of trucks rather than rail cars?

A. Trucks and groups of men driven down, five or six men to a car and bringing the cars and trucks out.

Q. Now you do not suggest, I take it, Mr. McCullough that this Commission should say something like this that "Here the people shall not be allowed to road automobiles from the East to the West". You are not suggesting that they should make any recommendation like that?

A. No.

Q. What you are suggesting, I take it then, is that

they recommend that there should be a lower freight rate on automobiles?

A. A lower freight rate on automobiles bringing the rate down to what the truck rate is. The automobile passenger rate is about 25% higher than the truck, and I do not see what the difference is. If the railways can make money on trucks, they should be able to do so on automobiles, and the records show that the loss from damage on passenger cars is not so very much more than on trucks.

Q. Have you taken this matter up with the Board of Transport Commissioners?

A. No.

Q. Because it does seem to me, Mr. McCullough, that this is a specific case that might be dealt with. I do not just quite see what recommendation this Commission could make.

THE CHAIRMAN: Pardon me, Mr. Covert, has any application been made to the railways themselves?

A. No my lord, no application has been made.

MR. COVERT: Your association has neither applied to the railways nor to the Railway Association or to the Board of Transport Commissioners?

A. No, not yet.

THE CHAIRMAN: I think there is something said about the Railway Association?

A. We do propose to.

Q. You mention this point "It is our intention to formally apply to the Railway Association for decrease of certain freight rates which application will be accompanied by the facts and figures" and so on and so forth. Did you?

A. We do intend to apply anyway. We wanted this Board, my lord, - the situation is just serious enough that we felt that we could possibly get some recommendation

from the Royal Commission because it is an economic problem in everything west of the Great Lakes and a serious one. I talked to dealers at our Federation meeting in Montreal, a lot of small dealers, and many of those dealers that are established in business are going to be put out of business by these operators that are moving cars out there, storing them across from their places of business, and just generally telling the public that they can sell them for less than the franchised dealer can, and it is pretty hard for the small dealer to combat that.

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Are you speaking of new cars when you speak of franchised dealers?

A. Yes.

Q. Why can't the manufacturer protect you then?

A. Well, that is a very difficult thing to do.

Q. Will the manufacturer sell a new car at factory door to anyone who goes there?

A. No, the manufacturer sells a car or truck to dealers say, throughout the Province of Ontario. If that dealer gets half a dozen units he cannot sell, these operators come in there and buy them.

Q. I don't see how you can suggest that that has anything to do with the railway?

A. It has this to do with it. The manufacturers have endeavoured to stop it and they do not seem to be able to stop it.

Q. I understood the chairman asked you if you had in fact discussed it with the railways, which you have not?

A. No, we have not; we said that in our brief.

Q. How much do you say it would cost to drive a car over the road say from Oshawa to Calgary in the manner you say it is being done?

A. Well, we estimated between \$75 and \$100. Some of them are brought out for less. We have had a number of people that have driven a lot of cars out there and taken jobs out West such as maids and people like that. They advertise in the papers.

Q. And you say it costs \$75 to \$100 to get them out on that basis?

A. It costs less at times depending on how you get them.

Q. And getting out there from Oshawa would require putting about 2000 miles on a motor?

A. About 2000 miles, yes.

Q. And what allowance do you make for depreciation entailed by the 2000 mile trip?

A. Well, I don't believe they make any allowance for it.

Q. At the present time I understand you can get passenger cars from Oshawa to Calgary for about \$148.-- four vehicles in a car?

A. \$148.? It is higher than that.

. Well, four in a car, \$148. and you say it comes to about \$75. to \$100. to drive them over the roads?

A. We estimate a Ford car comes at about \$186; that is from Windsor to Calgary.

Q. Isn't the condition a temporary one which has been brought about ^{by} the difficulty in procuring cars, which has prevailed during and since the war and which, when cars are again available in Canada in quantities, will disappear?

A. No, we do not feel that. With the number of dealers there are, these dealers now far outnumber the legitimate dealers and they are going to stay in business as long as they can get these cars out cheaper than we can.

Q. With 2000 miles on the speedometer?

A. Yes, that does not make much difference in the life of a car though.

(Page 8156 follows)

MR HUME: Mr. Chairman, with your permission, one question.

CROSS-EXAMINED BY MR HUME:

Q. Your brief uses the two words "recognized carriers", and I thought it might be advisable to clear it up for the record, that by that you mean the railways; is that correct? At the present time, you say, the business is being lost to the recognized carriers; you mean the railways?

A. No, not necessarily. There are trucking concerns that you can haul cars out on, four or five units to a truck.

Q. Do you know of any to-day, trucking concerns, that are transporting automobiles for hire from say Windsor or Oshawa out to Calgary?

A. No, I do not know any of the trucking concerns that are, but I know some are interested.

Q. Yes, but I am speaking of the situation to-day; when you use the words "recognized carriers" in your brief you are speaking of the railways exclusively, are you not?

A. No.

MR O'DONNELL: The brief speaks for itself.

THE WITNESS: We were referring to the recognized carriers, either the railways or the truckers.

THE CHAIRMAN: Q. Now I come back again to this: You say that you intend to make an application to the Canadian Freight Association?

A. Yes.

Q. Well, I would not advise you to wait until we make a report before you make your application, because I am not sure just what we could do to aid you, having regard to the objects of our inquiry, so I would say that if you do intend to approach the railways, don't put it off.

A. I see; yes.

Q. Waiting for something that we might do, because I am not sure what we can do. I would not like to have you later on say that you did not go to the railways because you were waiting for this Commission to do something for you; do you understand?

A. I understand, yes.

COMMISSIONER ANGUS: Q. If someone in the west intends to buy a car in the east and drive it out, is there any incentive to buy through an Ontario dealer rather than through a local dealer?

A. Well, in a case of that kind, those cases are usually handled by the dealer out in the western part of the country.

Q. And you have no objection to that?

A. A man places an order, and he can get the car through that dealer delivered at Oshawa or Windsor through his own local dealer.

Q. You have no objection to that?

A. We have no objections to that, although we do believe that these rates will multiply the factory deliveries by some three hundred per cent.

MR COVERT: That is all, thank you.

MR FRAWLEY: Mr. Wilson.

HARRY I. WILSON, Recalled.

EXAMINED BY MR FRAWLEY:

Q. Mr. Wilson, have you anything to add to what Mr. McCullough has read into the record and his other observations?

A. Yes, my lord. I would like to perhaps mention why we delayed so long in putting in the brief, and also probably why we did not put the request in to the Royal

Commission. We had to make sure that this condition that exists to-day would continue -- that is, in our opinion -- continue, I mean, by the used car dealer being able to buy cars, road them into western Canada, and stay in business. It took a lot of investigating. We did not want to come before the Commission or make any requests unless we felt sure that this condition would exist. We talked the matter over with our manufacturers, who more or less told us that they could do nothing more than they are doing at present. They were of the opinion that we should come before the Commission, and if there had been time I think they would have joined us. Now, we know that the used car dealer when he gets a group of cars, a number of cars, from the east, can go to a dealer, and if he buys six at a time he can get a discount. If he can save \$50 to \$100 in freight or more, he can undersell the franchised dealer in any western city. But, as I say, we wanted to make sure that these used car dealers, who are quite wealthy individuals to-day, would stay in this business and be our competitors.

Now, mention was made of a saving of \$100. I do not say that in everycase it would be \$100, but even a saving of \$50 or \$30, whatever it may be, might not be enough for the used car dealer to stay in this business. We do not know what hope we have of getting something from the railways in asking for a decrease in rates. We know there will be a lot of comparisons put up, but we did feel that this Commission would perhaps have some consideration for the regular rate structure as it exists to-day, because in pre-war days it did not pay anyone, a used car dealer or anyone, to bring a car in from the east on the road. Now to-day it does, and that faces us, and we as franchised dealers have got heavy investments.

The used car dealer can undersell us, in view of the fact that he has no overhead at all. There are perhaps in western Canada two thousand dealers, that is, new car dealers, and many of them have got investments up to as high as a million dollars in buildings and in stocks. Now, these dealers have a big overhead, but the used car dealer has none except a small perhaps three or four or five thousand dollar place, so even if he makes \$100 or \$150 less -- that is, gross -- on an automobile, he can still undersell us as used car dealers when we have the full new car profit.

These I think are perhaps the things, Mr. Frawley, that I had in mind to bring out to the Commission.

Q. Mr. Wilson, when you say that this used car dealer coming east to buy cars goes to a dealer and gets a discount if he buys five or six cars, you say that the place he buys them is from an Ontario or Quebec dealer?

A. That is right.

Q. And when you say the situation has changed since before the war, are you referring to the recent 21% and later 8% increase horizontally that has been put on?

A. Yes, that is right; the increase in freight rates has changed our whole picture entirely.

Q. The freight rate increase of 21% and 8% being applied horizontally hits you much harder than the Ontario dealer?

MR O'DONNELL: Why don't you give evidence?

MR FRAWLEY: Q. Living in Toronto or Montreal?

A. Much more so.

Q. And because of that danger you say your situation is worse now and is changed detrimentally since before the war?

A. Yes, and it will stay this way, we feel, unless

The first part of the document is a letter from the President of the United States to the Congress. It is dated January 1, 1863. The letter is addressed to the Senate and the House of Representatives. It is signed by Abraham Lincoln. The letter is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document.

The second part of the document is a letter from the President of the United States to the Congress. It is dated January 1, 1863. The letter is addressed to the Senate and the House of Representatives. It is signed by Abraham Lincoln. The letter is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document.

The third part of the document is a letter from the President of the United States to the Congress. It is dated January 1, 1863. The letter is addressed to the Senate and the House of Representatives. It is signed by Abraham Lincoln. The letter is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document. It is a copy of the original. It is a very important document.

we can get some relief. The only way we figure it can be licked is by the freight rate structure.

Q. Would you say that the two recent horizontal increases---

MR O'DONNELL: After all, let us not be so leading.

MR FRAWLEY: Q. Do you say that the two recent horizontal increases are the root of the evil as it is going on to-day?

A. I think so, Mr. Frawley, yes.

THE CHAIRMAN: Then, Mr. Frawley, perhaps this is one of the businesses that is invited to come back to the Board.

MR FRAWLEY: Well, there was an invitation in the 21% case; there was no invitation in the 8% case. I was going to bring that to the attention of the Commission. My friend Mr. O'Donnell---

THE CHAIRMAN: Don't you think it is a standing invitation?

MR FRAWLEY: Well, I wonder if it is.

MR O'DONNELL: Anyone who is discriminated against can go at any time; my friend knows that as well as I do.

MR FRAWLEY: Oh, well, of course they can go if they feel they are discriminated against, and they have to go to prove this unjust discrimination which is in the Railway Act and in the precedents of the Board, which we hope this Commission will do away with once and for all.

THE CHAIRMAN: How can you call it unjust discrimination? The contention is that the railway freight rate is so high that it enables people who do not use the railways or the trucks to come in with less expenditure.

MR FRAWLEY: My lord, I was only addressing my-

self to this because of what Mr. O'Donnell said about "they can go to the railway". Now, they can go to the railway, and if they prove unjust discrimination---

MR O'DONNELL: I said to the Board.

MR FRAWLEY: They can go to the Board, and if they prove unjust discrimination they might get some relief.

THE CHAIRMAN: How can they prove that their rate discriminates unjustly?

MR FRAWLEY: Perhaps they could not; that is exactly so. Why should they go to the Board? If they could get rid of this horizontal increase---

THE CHAIRMAN: If they go to the Board, it must be simply to ask the Board to have the railways grant them a lower rate, so that they can meet this competition.

MR FRAWLEY: That is right, sir; or to have the--

THE CHAIRMAN: Does the Board entertain applications of that sort?

MR FRAWLEY: To simply have a lower rate granted? Well, they might entertain an application to apply a maximum when they were applying a horizontal percentage increase, and perhaps apply a maximum on long hauls, which is what we in the west have been asking for since 1946, and have had not one bit of relief.

THE CHAIRMAN: Well, it is not a discrimination.

MR FRAWLEY: No.

MR SINCLAIR: I think it is quite clear from the brief that what the applicants would approach the C.F.A. on is for a competitive rate on the over-the-road competition that they make reference to, not on discrimination at all.

MR FRAWLEY: My lord, I was addressing myself to the suggestion that they should go to the Board. Now

my friend Mr. Sinclair suggests that these men should go to the railways; that is quite a different matter.

MR SINCLAIR: That is what he suggests.

THE CHAIRMAN: They are going to the railways first, anyhow.

MR FRAWLEY: That is what they say, yes. I was not addressing myself to that situation at all, sir.

MR O'DONNELL: If my friend had not used such descriptively exaggerated language---

THE CHAIRMAN: Can you tell us, for instance, what we ought to do?

MR FRAWLEY: I am not presenting the brief, my lord. The brief speaks for itself, sir. As I said, I was introducing these gentlemen as a courtesy, and glad to do that because they come from Alberta.

THE CHAIRMAN: Do you see anything that you think we might do?

MR FRAWLEY: I think that it might be pointed out to the railways that there should be a rate established which would take the cars off the road -- that is the sum and substance of it, sir -- that they should have a competitive rate. That, I think, might well be suggested by this Commission -- not to the railways, because I take it this Commission's recommendations are not to the railways, but they are for the benefit and edification of the railways.

MR O'DONNELL: The schoolboy wants to drive a car west from Oshawa in his summer holidays, and things of that kind.

MR FRAWLEY: I am surprised at my friend saying this is just a schoolboy matter. My friend has failed to appreciate the purport of the submission completely if that is what he thinks. This is serious business and big

business so far as the Province of Alberta is concerned, sir. Anyone in that province can see these new cars all over the streets of Edmonton and Calgary, new cars sitting in the used car dealers' lots. These are the cars that are bought from Ontario dealers and roaded out there to be in the used car lots and sold as new cars. That is an evil, sir, it is an unfair advantage, and these dealers are being put out of business, as Mr. McCullough says.

(Page 8166 follows)

THE CHAIRMAN: You see, these gentlemen, themselves, tell us that the only remedy they can see is lower freight rates.

MR. FRAWLEY: Yes, sir.

THE CHAIRMAN: They do not claim that this business is illegal?

MR. FRAWLEY: Oh, no.

THE CHAIRMAN: Then, the procedure to get lower freight rates is, I suppose, to persuade the railways that, in their own interest, they ought to lower the freight rates and get more business.

MR. FRAWLEY: As far as the railway interests are concerned, yes. But so far as these people being put out of business by high freight rates --

THE CHAIRMAN: On an application to the Railway Commissioners, they would take into consideration the fact that unless these railway rates are reduced, this particular business would disappear.

MR. FRAWLEY: No. At the moment the Board does not go into that sort of thing, and that is probably the reason why these particular people are here.

THE CHAIRMAN: What else do you suggest that we might do?

MR. FRAWLEY: It is suggested that this unfair situation should not be allowed to continue, because it is unfair to the dealers and also to the railways.

THE CHAIRMAN: Do you suggest that there should be legislation to deal with it?

MR. FRAWLEY: I do not think it calls for legislation, because there is the right to put in a competitive rate. There is the right on the part of the railways to put in a competitive rate.

These men want to bring to the attention of this

Commission something in the transportation world which is affecting them, which is novel, and which is working a hardship on them.

MR. O'DONNELL: The specific difficulty of getting automobiles.

MR. FRAWLEY: They decided to present their case after their annual convention in Montreal. They did it on their own.

THE CHAIRMAN: We are anxious to find out from somebody what we can do for them, if anything ought to be done.

I thought you could help them out. But, in any case, they can go to the railways, and they intend to go there. In fact, they told us that. And if they can show the railways that the railways are going to make something out of it by increasing their business, I do not see how they could fail to succeed.

MR. COVERT: To clarify the record, it does seem to me that it should be pointed out, in view of what was just said, that this practice, apparently, took place long before the horizontal freight increases, because it is referred to in 1946 and 1947 in the brief in 1948, that between 5,000 and 7,000 -- what I am respectfully submitting is that this is not really a matter within the jurisdiction of the Commission. It seems to me that it is a matter to be taken up with the railways.

THE CHAIRMAN: I think everybody understands that nothing said here today is to be taken as an indication to these gentlemen to delay their application to the railways.

THE WITNESS: Before I step out of the box, might I say that we are really here representing at

least 2,000 dealers, who have made practical and personal representation to us to come before this Royal Commission.

The Automobile Dealer Associations in Canada, or at least in the west, about two years ago, when the Commission came through, did go before the Board, but they did not get any place with it. We went as an automobile body.

THE CHAIRMAN: Before what board?

MR. FRAWLEY: They went before the Board of Transport Commissioners in the 30 per cent case.

THE WITNESS: We went before them as automobile dealer bodies, and we did not get any place.

We know that the automobile dealer at the present time has been making money. We are not denying that fact. But we are going out of a different market, and these 2,000 dealers in the west are fearful of the market we are going into; and the only way that they can see that they are going to be able to compete is by some unification in freight rates.

I think that inasmuch as the Royal Commission is sitting, it should make some recommendation, and have some concern for the plight that they are going to be in.

There are 2,000 dealers even today, and many, many are not going to sit down and weep and be concerned unless it looks serious to them, and we think it is serious, although the railways may not think so.

MR. SINCLAIR: Q. The railways do not say that they do not think it was serious. We have never spoken to it.

A. I am not saying that they do not feel the thing. I say, regardless of what their feelings may be, we wanted to get this Board, this Royal Commission, feeling it was

serious enough, in our opinion, to come to this Board and to see if some recommendations could not be made along some line to help us.

That is actually what we are after. We have a competitive rate. And when we discussed this matter two years ago, we did not think, we did not even consider that this was serious, two years ago, but we do today.

When we went before that Tariff Commission two years ago, we did not bring this matter up. But something has happened and it is there, and it looks as if it were there to stay. That is the reason why we wanted to come down to make representations to the Royal Commission.

MR. COVERT: Q. Perhaps we should ask Mr. Wilson what he thinks the recommendation should be.

A. Well, of course, as far as recommendations are concerned, we, naturally, are after lower freight rates.

Q. And I should point out, perhaps, that this Board does not fix freight rates. You realize that. We have nothing to do with exercising functions of that kind.

THE CHAIRMAN: This Commission, you mean.

MR. COVERT: Q. Yes, this Commission. The question of fixing specific rates is one for the Board of Transport Commissioners.

A. Well --

Q. That is why I asked what recommendation you think this Commission should make.

A. The Transportation Commission turned us down two years ago when we went after getting out of an increase. We went after them. Our Association in Canada went before the Board, and we got no place with it. So where was our next step to go? Was it to go before them, when we went before them and got no place?

I have sat in with most of the dealers, I think, throughout various places in Saskatchewan, Alberta and British Columbia, and they are of the opinion there should be some consideration given to this freight rate structure, especially in view of the fact that we have been before the Commission and could get no place. So what could they do?

Q. You mean the Board of Transport Commissioners?

A. Yes. I get all mixed up.

Q. It may be unfair to ask you this, but do you suggest there is something wrong with the present law which needs change? Or is it just dollars and cents in the freight rate?

A. Well, it will all add up.

Q. If the freight rate was lower for a car now, going from the east to the west, your problem would be over, provided it was sufficiently enough lower?

A. I think so. Dollars and cents are what is going to count.

Q. Do you think it would make any difference, for instance, if it were, perhaps, higher, let us say, in Regina than in Winnipeg? Is that one of the problems?

A. It is not high ^{er} enough there to interfere with the business that these 2,000 dealers are engaged in. I think you are getting the point. We are concerned about these dealers staying in business in western Canada.

Q. Yes. Are you suggesting that the Board of Transport Commissioners -- perhaps this is it -- you are suggesting, perhaps, that the Board of Transport Commissioners should have the power to consider whether or not the dealers who are in business, and who have a large investment, should be protected by a rate, rather than have a new type of business, that of the second-hand

dealer, whom you refer to as a non-franchised dealer, could steal the business away from you, and that the matter should be adjusted by freight rates. Is that it?

A. Look at it this way: we have always brought our automobiles in by railway, because it is the best way, as far as we are concerned.

Now, if we cannot get them in, and are beaten out by the used car dealer, who will bring his cars in in a cheaper way, and if we want to stay in business, then we have got to go ahead and do it.

THE CHAIRMAN: Q. Do what?

The last paragraph of your brief says what you are going to do, and it says that unless you get what you are asking for, you will be forced to take other steps.

I would now ask you what you mean when you say that? Do you mean that you will have your cars brought in by truck?

A. Of course, there may be a lot of other steps that we do not know about.

Q. The brief goes on and says:

"As a matter of interest, some franchised dealers are at the present time negotiating for the movement of their passenger cars and trucks by means other than recognized carriers, and such dealers have signified their intention to complete the negotiations if no relief is forthcoming from recognized carriers."

Apparently then, it would seem you contemplate turning from the railways to the truckers?

A. Well, I do not, of course, know that we can turn 100 per cent to the trucks. We would have to become transporters over the roads, and send young boys as sit-downs to bring them back, if we had to meet competition.

I do not say that every dealer will do that. No, but there will be a percentage which will come in, if they want to stay in business. And it affects smaller dealers more than us, more than the large dealers.

It may not affect me very much, but we are arguing on behalf of the smaller dealers. Take in a province like Alberta and Saskatchewan, the small dealers would constitute, perhaps, 80 per cent of the total.

Q. But the peculiar feature of your case is that your competitors are people who are not using the railways, not getting any freight rates at all.

A. No, that is right. And we bring that up because we know that if we had waterways, which would provide a competitive rate, then, no doubt, there would be some consideration given, if the railways were going to lose the business.

But because we have tried to show that there is another competitive road, just an ordinary plain road whereby automobiles can be brought in cheaper than on the railways, we say we should have some consideration, the same as the waterways competition would have.

This condition did not exist before the war, because the roads were not good enough, and the freight was low enough so that it did not pay them to come down. But, as the brief shows, our cost for roading a car is just a little bit more than what it was before the war, whereas the freight rates have gone up and have put us in this position. That is actually what we are trying to get over: that there is a competitive road now to the railways.

---The Commission adjourned at 5 p.m. until Friday,
November 11, 1949, at 10.30 a.m.

MAURICE LAMONTAGNE

appelé:

M. Desmarais: Nous en sommes maintenant au mémoire du Conseil d'Orientation Economique d'Abitibi:-

Q. Votre prénom est Maurice? R. Oui, monsieur.

Q. Vous êtes professeur à l'Université Laval? R. Oui, monsieur.

Q. Dans quelle faculté? R. Les sciences sociales.

Q. Vous êtes également diplômé de l'Université Harvard? R. Oui, monsieur.

Q. Vous avez préparé un mémoire pour le Conseil d'Orientation Economique d'Abitibi, n'est-ce pas? R. Oui, monsieur.

Q. Vous désirez lire ce mémoire à la Commission? R. Voici, c'est un résumé du mémoire. Il y a le mémoire qui est beaucoup plus volumineux.

Q. Je crois que vous pouvez, avant de lire ce résumé du mémoire, produire une carte géographique de la région? R. J'ai ici une copie de la carte.

Q. Elle est produite comme exhibit 108, --une carte géographique du bassin du lac Matagami. Voulez-vous procéder à la lecture du mémoire? R. Oui, monsieur.

L'an dernier, le Canadien National terminait la construction d'un chemin de fer d'une longueur d'environ 40 milles allant de Barraute au Rapide des Cèdres, dans la région de l'Abitibi.

La présente étude a pour but de proposer que le Canadien National poursuive cette entreprise jusqu'au lac Chibougamau, en passant par le lac Bachelor, soit sur une distance d'environ 165 milles. Notre travail est destiné

1. On the first of January, 1900,

the following was the condition of the

country:

1. The population of the country was 1,000,000.

2. The area of the country was 100,000 square miles.

3. The

4. The

5. The

6. The

7. The

8. The

9. The

10. The

11. The

12. The

13. The

14. The

15. The

16. The

17. The

18. The

19. The

20. The

21. The

22. The

23. The

24. The

25. The

26. The

27. The

28. The

29. The

30. The

plus spécialement à indiquer d'après quels critères ce projet doit être jugé et à montrer si, en l'occurrence, leurs exigences sont satisfaites.

Après une brève incursion dans le domaine des principes économiques, nous parlerons des ressources naturelles de la région et de leur exploitation, pour conclure en montrant les avantages directs et indirects du chemin de fer projeté.

A. Principes économiques

1. Le projet consiste à demander au Canadien National, c'est-à-dire à une entreprise publique, une extension de ses services. Avant de voir s'il est justifié, il faut d'abord savoir à quelles conditions il pourrait être considéré comme avantageux.

2. La condition la plus rigoureuse pour que le projet soit profitable correspond aux exigences de l'entreprise ordinaire, retire de sa réalisation un revenu au moins égal à la dépense requise, sans tenir compte des autres conséquences.

3. Toutefois, l'entreprise publique ne peut pas baser ses décisions uniquement sur les revenus qu'elle reçoit. Elle doit également tenir compte, avant d'améliorer ses services, de l'effet qu'aura cette amélioration sur les revenus que l'Etat perçoit de la taxation. De ce point de vue, on peut dire qu'un projet d'expansion est avantageux, même si l'organisme public qui l'entreprend encourt un déficit, à condition que les revenus de toutes sortes qu'en retire l'Etat dépassent la dépense nécessitée.

4. De plus, puisque l'Etat a la responsabilité de contribuer à rendre le revenu national stable et maximum, l'entreprise publique doit comparer l'augmentation de ses dépenses non pas tellement à son revenu qu'à celle

[illegible]

du revenu national. Ainsi, tout projet réalisé par une entreprise publique sera avantageux pour la société, si l'augmentation du revenu national qu'il entraîne est supérieure à la dépense qu'il exige. D'autre part, à dépense égale, un projet sera d'autant plus avantageux, par rapport à un autre, qu'il contribuera davantage à augmenter le revenu de la nation.

5. Enfin, l'entreprise publique doit considérer non seulement l'utilité économique directe et indirecte d'un projet, mais aussi son utilité sociale.

6. En somme, si l'entreprise publique veut véritablement maximiser le bien-être général, qui est sa fin, elle ne peut pas laisser guider son action par le mécanisme ordinaire du marché. Elle doit apprécier un projet dans tous ses résultats et non pas considérer uniquement ses effets directs.

B. Les ressources naturelles de la région.

1. La région de Mattagami contient, d'après un estimé conservateur, au moins 100 millions de cordes de bois immédiatement exploitable. La composition, la haute qualité et la facilité d'exploitation de cette forêt contribuent à en augmenter considérablement la valeur.

2. Il n'est pas désirable que toutes ces richesses soient transformées dans la région, parce qu'un tel développement ne serait pas économique, étant donné que les cours d'eau ne permettent pas le flottage du bois sur certaines parties de leur parcours, et parce qu'il est plus avantageux de consolider les industries forestières déjà existantes dans la province plutôt que d'en faire de nouvelles.

3. Dans ces conditions, seule la construction d'un chemin de fer peut permettre l'exploitation économique d'une grande partie de ces ressources forestières. Une réserve d'environ 50 millions de cordes serait accessible

au chemin de fer projeté. Enfin, un plan d'ensemble d'exploitation rationnelle permettrait le transport d'un million de cordes environ par année.

4. Cette richesse naturelle devrait être exploitée sans retard, car elle représente un capital qui ne fructifie pas, d'autant plus qu'on s'expose, en temporisant à la perdre au moins partiellement à la suite d'incendies toujours possibles.

5. La structure géologique de la région de Mattagami est formée par trois bandes de roches volcaniques du Keewatin qui se rejoignent à leurs extrémités et qui sont séparées de long de leur parcours par des formations de roches intrusives de différentes espèces.

Ici, je crois que l'on peut se reporter avantageusement à la carte qui accompagne le rapport. Il y a trois bandes de roches volcaniques du type Keewatin, une roche verte apparaissant avec assez d'évidence.

6. Ce sont précisément les roches vertes altérées du Keewatin qui fournissent les métaux de base, tels que le cuivre, le zinc et le plomb, de même que les métaux précieux. Les gisements miniers les plus riches se retrouvent toujours dans les roches vertes, près du point de contact avec les roches intrusives, surtout aux endroits de moindre résistance et principalement dans les zones de faille majeure. Or les zones de faille sont très nombreuses dans la région; on a même observé une faille principale qui semble traverser le territoire du sud-ouest au nord-est.

Et, sur la carte encore une fois, sont indiquées les zones de faille repérées à venir jusqu'à présent dans le relevé géologique de la région.

7. Les trois bandes de roches volcaniques du Keewatin sont absolument semblables, du point de vue géologique, aux deux zones de fracture de Cadillac et

de Porcupine si renommées pour leurs richesses minières. Elles n'en sont probablement que le prolongement.

8. Non seulement les conditions géologiques sont favorables à d'importants gisements miniers, mais les résultats déjà obtenus sont étonnants.

Ici, si la chose est possible, également. Je désirerais déposer, comme exhibit, une carte des propriétés minières de la région.

M. Desmarais: Alors, ce sera l'exhibit 109.

R. Alors, je le produirai plus tard.

Q. Très bien. R. Comme vous voyez, la carte représente toutes les propriétés minières déjà détenues dans la région et, comme on peut le constater, également, les propriétés minières suivent toujours les zones de faille déjà observées, n'est-ce pas.

En effet, les compagnies minières et les prospecteurs n'ont pas attendu la construction d'un système de transport pour faire des recherches dans la région. Déjà 78 compagnies y sont établies et y détiennent plus de 150 propriétés minières. Plusieurs compagnies, après avoir découvert du minerai suffisamment riche et abondant pour être exploité, ont dû suspendre leurs opérations, faute d'un système de transport adéquat et économique.

9. En fait, si on consulte une carte de la région, on constate que la perspection ne fait que commencer. Les travaux de recherches sont présentement difficiles et dispendieux. La construction d'un chemin de fer les rendrait beaucoup plus faciles tout en réduisant trois fois le coût. De plus, elle rendrait plus accessible la région immédiatement au nord de celle de Mattagami, où les conditions géologiques sont favorables aux gisements miniers et où des découvertes ont déjà été faites.

10. En somme, les conditions géologiques, les similitudes avec d'autres territoires riches en ressources minières, les découvertes déjà faites, les témoignages unanimes des experts et des hommes d'expérience, tout permet de prédire des développements rapides et importants dans la région, dès que des facilités de transport adéquates auront été assurées.

11. La partie ouest de la région de Mattagami, ayant été baignée par le lac glaciaire Barlow-Ojibway, est donc située dans la "zone d'argile" et les sols qui la recouvrent sont très fertiles.

12. Bien que l'inventaire des sols ne soit pas encore complet, on estime qu'au moins 25 cantons, soit environ 1,500,000 acres peuvent être avantageusement destinés à l'agriculture. On pourrait ainsi établir 15,000 cultivateurs dans cette seule zone, la dernière, dans la Province de Québec, à offrir des possibilités d'expansion agricole.

13. Le Ministère de la Colonisation du Québec n'attend plus qu'un système de transport convenable pour y établir des colons. De ce point de vue, le chemin de fer proposé aura une double utilité: il permettra le développement de l'agriculture, en rendant la région plus facilement accessible à ceux qui voudront s'établir sur des fermes; il créera un marché local pour les produits agricoles, en assurant l'exploitation des autres ressources naturelles et la formation de centres industriels.

14. Le sable, le gravier ainsi que les autres éléments des dépôts fluvio-glaciaires pourront servir à la fabrication de la brique et du béton, de même qu'à la construction des routes.

15. Les ressources hydrauliques ne manquent pas, car on estime pouvoir obtenir environ 1,125,000 chevaux-vapeur comme débit annuel. De plus, ces ressources sont

bien distribuées à travers toute la région.

C.) Les conséquences économiques du projet

1. Le coût de construction du chemin de fer proposé s'élèverait à environ \$14 millions, en supposant une dépense de \$85,000 par mille, ce qui représente, d'après certains experts, un maximum pour la région concernée.

2. En fixant le taux d'intérêt à 6 pour cent, le montant annuel consacré au remboursement du capital atteindra environ \$840,000. D'autre part, on estime que, pour un chemin de fer d'importance moyenne, ces charges fixes représentent environ 28 pour cent des dépenses totales, ce qui signifie que le chemin de fer devra rapporter au moins \$3 millions par année pour ne pas entraîner de déficit pour le Canadien National.

3. Au cours des années de prospérité relative, le transport du bois, ainsi que des hommes et des marchandises nécessaires aux opérations forestières pourrait rapporter environ \$6.5 millions au Canadien National. Et cela, sans tenir compte du transport qui proviendrait de l'exploitation des ressources minières, du sol cultivable, ainsi que du développement des centres industriels. Le volume du transport serait également bien distribué sur le plan géographique. Il serait enfin diversifié et relativement stable au cours du cycle économique.

4. La comparaison entre les dépenses et les revenus directs démontre que le projet serait avantageux et profitable pour le Canadien National. Toutefois ses avantages indirects dépassent de beaucoup en importance ses effets directs.

5. La réalisation du projet aura sur le volume de l'emploi et du revenu national des effets secondaires et tertiaires cumulatifs qui seront supérieurs à ceux

... ..

... ..

... ..

... ..

... ..

... ..

...

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

de la dépense initiale de \$14 millions. De plus, elle sera la condition indispensable du développement économique de la région et les résultats de celui-ci peuvent lui être attribués indirectement.

6. L'agriculture contribuera à la création de 15,000 emplois au minimum et fera vivre une population de 60,000 à 75,000 personnes, alors que la production agricole pourrait atteindre facilement \$25 millions par année. Les contributions des opérations forestières et de l'exploitation des mines, sur le plan de l'emploi et du revenu, ne seront pas inférieures à celles de l'agriculture. Il faut également tenir compte des manufactures, du transport, de la construction, du commerce et des services dont la contribution conjointe dépassera celle des trois industries précédentes.

7. L'accroissement des revenus provenant de la taxation, à lui seul, fournira une compensation plus que suffisante pour les charges que le projet imposera à la société. C'est donc dire que l'augmentation du volume de l'emploi et du revenu national qu'il amorcera dépassera infiniment le placement initial qu'il requiert.

8. Le projet, par le développement industriel qu'il entraînera, contribuera à équilibrer l'économie nationale et à assurer davantage l'indépendance économique et politique du Canada, à un moment particulièrement opportun de l'histoire de notre pays.

9. Dans la perspective d'une action anti-cyclique destinée à prévenir la prochaine crise, il n'existe probablement aucun autre projet, impliquant une dépense publique équivalente, susceptible d'accroître davantage le volume de l'emploi et du revenu national au moment d'une dépression, car, en plus d'avoir les mêmes effets secondaires et tertiaires des autres travaux similaires, il contribuera à augmenter considérablement le volume

des investissements privés.

10. Toutefois, le projet lui-même ne devrait pas faire partie du programme d'ensemble de travaux publics que l'Etat appliquera au moment de la dépression. Il devrait être exécuté dès maintenant, puisque ses principales répercussions anti-cycliques ne seront ressenties que dans quelques années.

11. Enfin, la construction du chemin de fer proposé marquera une étape importante dans la conquête économique du nord de notre pays qui contient d'immenses ressources naturelles nécessaires à notre développement industriel rapide et stable.

Nous croyons avoir démontré, au cours de cette étude que la construction du chemin de fer allant de Rapide des Cèdres au Lac Chibougamau sera profitable pour le Canadien National, mais qu'elle sera encore plus avantageuse pour la province de Québec et pour le pays tout entier. Elle entraînera le développement économique de toute une région, ce qui signifiera une augmentation du bien-être général et une utilisation plus rationnelle de nos ressources productives. De plus, elle peut contribuer dans une proportion beaucoup plus grande que la dépense qu'elle requiert à prévenir une crise que plusieurs estiment imminente.

Nous pensons également avoir justifié le parcours proposé. La localisation des ressources naturelles de la région, leur exploitation économique, l'étendue de la superficie à desservir et le présent état de fait semblent exiger que le chemin de fer, partant du sud-ouest, suive une direction nord-est.

Nous estimons enfin avoir prouvé que le projet devrait être réalisé le plus tôt possible. Même la situation internationale exige présentement que notre développement économique se poursuive à un rythme accéléré.

De plus, il faudrait que sa réalisation soit complétée avant que les premiers signes d'une dépression apparaissent afin que ses répercussions anti-cycliques les plus importantes se manifestent au moment opportun.

Toutefois, deux objections peuvent être soulevées contre l'exécution immédiate du projet. La première a trait à la rareté actuelle de l'acier. Il serait bien étonnant que cet argument soit apporté dans la discussion du présent projet cependant. En effet, nos gouvernements savent depuis plus de quatre ans que le nord de la province de Québec contient d'immenses dépôts de minerai de fer, mais ils n'ont rien fait pour hâter l'exploitation de ces ressources ni pour s'assurer qu'une partie au moins de ces gisements servirait à accroître notre production d'acier. Pendant ce temps, les entreprises qui ont obtenu des concessions minières dans le Nouveau Québec se préparent à expédier le minerai sous forme brute directement aux Etats-Unis, sans prétexte qu'elles ne pourront pas le vendre au Canada. D'ailleurs, l'exécution des travaux n'exigera pas une quantité d'acier assez grande pour qu'on soit justifié de la retarder uniquement à cause de ce facteur. Enfin, la quantité d'acier ainsi utilisée pourrait être facilement remplacée plus tard si on se décidait à construire des fours électriques pour transformer le minerai de fer de la région de Chibougamau. L'argument peut donc être difficilement soutenu puisqu'il aboutit à un cercle vicieux.

La deuxième objection possible concerne le volume du transport et consiste à prétendre que le chemin de fer ne peut pas être construit, tant qu'un certain minimum de transport ne sera pas garanti. Cette exigence semble excessive. Si elle avait été requise dans chaque cas au cours du développement de notre système ferroviaire, bien des chemins de fer aujourd'hui profitables n'auraient

jamais été construits. A l'analyse, on découvre que cette objection peut encore plus difficilement que la précédente éviter le cercle vicieux. Comment pourrait-on prétendre, en effet, qu'une région dont le développement dépend essentiellement du chemin de fer puisse être suffisamment évoluée pour qu'un groupe d'entreprises garantissent un certain volume de transport avant même que le chemin de fer soit construit et que son parcours soit déterminé.

Tout ce qu'on peut raisonnablement exiger, semble-t-il, c'est que les ressources naturelles de la région soient suffisantes pour justifier le projet, que le Gouvernement concerné veuille en permettre l'exploitation et que des entreprises responsables désirent les utiliser.

Nous croyons avoir démontré au cours de cette étude que la première condition était amplement satisfaite. Quant au gouvernement provincial, il s'est montré favorable au développement de la région. Les concessions minières et forestières qu'il a déjà accordées ainsi que le vaste programme de colonisation qu'il a préparé le prouvent avec évidence. D'ailleurs, il serait difficilement compréhensible qu'une autorité publique s'oppose à un développement économique particulièrement désirable et qui, en plus, lui rapportera des bénéfices importants sans entraîner des dépenses correspondantes.

Enfin, il est indéniable que plusieurs entreprises sont désireuses d'exploiter les ressources naturelles de la région. Déjà, comme nous l'avons signalé précédemment, 78 compagnies minières y détiennent 150 propriétés. Du point de vue forestier, la compagnie Howard Smith, qui exploite déjà une superficie de 200 milles carrés dans la partie sud de la région, a obtenu une nouvelle concession de 600 milles carrés qui n'est pas encore

délimitée et qui ne le sera probablement pas tant que la construction du chemin de fer ne sera ps décidée et que son paracours ne sera pas connu. Si d'autres concessions n'ont pas été accordées, c'est sans doute parce que, étant donné l'absence de moyens de transport, elles auraient été prématurées. Enfin, d'autres entreprises, qui ne désirent pas ou ne peuvent pas obtenir de concessions forestières, désirent acheter des colons le bois qui sera coupé sur les terrains réservés à l'agriculture.

Il est parfaitement compréhensible que le Canadien National veuille éviter des risques inutiles. Malgré toutes les raisons qui justifient la réalisation immédiate du projet, si les autorités concernées jugent que l'entreprise est présentement encore trop hasardeuse, elles pourraient, au moins, annoncer officiellement leur intention de construire le chemin de fer, en déterminer le parcours et attendre ensuite les répercussions de cette démarche avant d'entreprendre les travaux.

Il semble bien, cependant, que toutes ces précautions sont inutiles. L'utilité du chemin de fer proposé est, dès maintenant suffisamment démontrée et il serait probablement possible de citer des cas où on n'a pas procédé avec autant de prudence. Il ne faudrait donc pas retarder inutilement le développement économique de cette région, d'autant plus que le système de transport ferroviaire du Québec a peut-être été négligé dans le passé. En effet, en 1942, il y avait 4,797 milles de chemin de fer dans cette province, tandis que l'Ontario en possédait 10,480, le Manitoba 4,837, la Saskatchewan 8,780, et l'Alberta 5,681. La réalisation du projet serait un premier pas vers le rétablissement de l'équilibre, tout en contribuant à une évolution économique très désirable.

M. Desmarais: Je comprends que le mémoire que vous venez de lire est un résumé d'un travail ou d'une étude de quelques soixante-dix pages que vous avez préparé à ce sujet-là? R. Oui, monsieur.

Q. Je crois qu'il serait utile, pour la Commission, de voir cette étude. Voulez-vous produire cela comme exhibit? R. Certainement.

Q. Est-ce que vous pourriez en préparer cinq copies? R. Oui, monsieur.

Q. Elles seront produites comme exhibit 109? R. Oui, monsieur.

Q. Vous pourriez peut-être préparer une copie additionnelle pour le National Canadien? R. Oui, monsieur.

Q. Maintenant, vous pourriez peut-être nous donner une courte....

Le Président: Ce sera produit comme exhibit 110.

M. Desmarais: Oui, très bien.

Q. Voulez-vous nous donner une courte description de l'Abitibi, de sa situation, de sa superficie; une courte description, un sommaire? R. Voici la région de Mattagami, elle est située mi au nord de la région que l'on appelle couramment Abitibi. L'Abitibi, et je crois que beaucoup de gens connaissent assez bien cette région, vous le savez s'est développé de cette façon, sur deux lignes à peu près parallèles, l'une étant formée par les grands centres, à moitié au nord, Val d'Or, Bourlamaque, etc., et l'autre par les centres se reposant davantage sur l'agriculture.

La population de l'Abitibi, actuellement, s'élève à environ 135,000 habitants. Et, il est assez intéressant de noter que le développement de cette région date d'environ vingt ans. Il a commencé d'une façon sérieuse à partir

de 1930 et il s'est développé en pleine crise économique.

Ce qui veut dire que nous pouvons reconnaître que les ressources naturelles de cette région sont propres à être développées au moment précis où il y a une baisse dans l'activité économique. Et l'agriculture, le mouvement des colons, les mines d'or sont évidemment les principales illustrations de ce fait.

Q. Je crois qu'il y a trois comtés dans cette région? R. Oui, au provincial il y a Abitibi Ouest et Abitibi Est, et il y a Rouyn-Noranda.

Q. Dans le premier paragraphe de votre mémoire, vous dites: L'an dernier, le Canadien National terminait la construction d'un chemin de fer d'une longueur d'environ 40 milles allant de Barraute au Rapide des Cèdres. Sur la demande de qui a-t-il été construit?

Le Président: Barraute? Dans quelle direction est-ce le Rapide des Cèdres? R. Immédiatement au sud du canton de Laas.

Q. Et c'est là le terminus du chemin de fer? R. Oui, monsieur.

Q. Et l'addition irait de là jusqu'à Chibougamau? R. Oui, monsieur.

Q. Quelle serait la longueur de cette ligne? R. 165 milles, environ.

M. Desmarais: Ce tronçon, qui a été construit l'an passé sur une longueur de 40 milles, est-ce qu'il était à l'initiative du Canadien National? R. Je crois qu'il a été construit à la demande de Howard Smith, qui, à ce moment-là, gardait un certain minimum de son transport pour le Canadien National. Par exemple, la compagnie possédait déjà, comme je l'ai dit tout à l'heure, des concessions forestières dans le sud de la région.

Q. Cette première partie, la construction de ce tronçon, a été construite pour des considérations absolument commerciales? R. Oui, monsieur.

Q. Pour les 165 milles, il y a un nouveau tracé et est-ce que ce tracé est définitif? R. Certainement pas, ce n'est certainement pas un tracé définitif. Je crois qu'il faudrait faire appel à des ingénieurs, à des spécialistes en la matière. Toutefois, dans le tracé, qui est indiqué sur la carte, nous avons tenu compte surtout des ressources naturelles de la région et principalement de la localisation des ressources minières. Alors, évidemment, que ce n'est pas un tracé définitif. C'est pour indiquer, tout simplement, une orientation qu'il pourrait prendre le chemin de fer, une direction que pourrait prendre le chemin de fer. Il faudrait certainement poursuivre une enquête d'une façon beaucoup plus détaillée.

Q. Est-ce que vous avez discuté du projet avec la compagnie de chemin de fer Canadien National? R. Le Canadien National est certainement au courant de ce projet. L'an dernier, à la fin de janvier en particulier, il y a eu une réunion qui groupait environ 150 hommes d'affaires, à Val d'Or, en Abitibi. Et alors y assistait M. Fairweather du Canadien National et y assistait également M. Maxwell aussi du Canadien National; et, on a étudié le projet et diverses compagnies forestières et minières se sont prononcées en faveur du projet. M. Fairweather a adressé la parole à cette assemblée pour dire que le projet était certainement ou plutôt qu'il méritait certainement toute l'attention du Canadien National et que sa réalisation était certainement désirable et euq maintenant c'était une question pour lui et pour la compagnie, de temps. Je crois qu'il s'agissait aussi d'une question d'opinion publique.

Q. Maintenant, M. Lamontagne, aux pages 2 et 3 de votre mémoire vous énoncez certains principes économiques devant être considérés dans un projet comme celui-ci: les revenus que l'Etat peut retirer d'un tel projet et son

utilité sociale. Etes-vous d'opinion que ce sont les seules considérations qui pourraient prévaloir ou ne considérez-vous pas aussi la valeur commerciale d'un tel projet? R. Evidemment, il faut toujours tenir compte de la valeur commerciale d'un réseau de transport lorsque ce réseau de transport, ou une partie de ce réseau de transport, est la propriété d'une entreprise publique. Je crois que l'on ne peut pas tenir compte du revenu direct qu'il procure ni également tenir compte de ses effets et conséquences indirects, parce que mêmes s'ils sont indirects ils n'en sont pas moins réels.

Q. Croyez-vous que dans le développement d'un réseau ferroviaire dans le Canada, dans le passé, l'on ait tenu compte de cette politique que vous préconisez dans le moment? R. Je crois qu'il y a certainement des cas où il y a eu un objectif purement utilitaire, social même, et non pas d'utilité économique, d'un projet, simplement pour desservir une population. J'ai vu, récemment, dans les journeaux que le Canadien National venait d'acheter un petit tronçon de chemin de fer dans le comté de Témiscouata alors même que le chemin de fer ne sert qu'à desservir la population locale et où il n'y a certainement pas un volume de transport considérable à y faire là. Et, en plus, le bois va dans le Nouveau-Brunswick et non pas dans la province de Québec. Là on a considéré surtout l'utilité sociale pour acheter le chemin de fer. C'est pour cette considération que le Canadien National s'en est emparé.

Q. Qui, croyez-vous, est plus en mesure de décider cela. Est-ce le Canadien National ou le Gouvernement qui devrait prendre une décision, l'initiation?

R. Je crois que dans un cas comme celui-là où les autorités du Canadien National ne sont pas certaines qu'elles vont couvrir leurs dépenses par la réalisation du projet, je crois qu'il revient au Gouvernement lui-même de prendre une décision, étant donné qu'il s'agit en d'autres termes de l'emploi ou de l'utilisation de fonds publics, et une corporation de la Couronne ne saurait d'une façon normale engager les fonds publics sans consulter le Gouvernement ou le Parlement.

Q. Maintenant, est-ce que le principe que vous énoncez actuellement, comme s'appliquant au Canadien National, pourrait ou devrait s'appliquer au Canadien Pacifique? R. Je ne le crois pas, parce que le Canadien Pacifique est une entreprise privée. Alors tout ce que le Canadien Pacifique peut faire, c'est de considérer les revenus et les coûts directs. Parce que les revenus indirects, tels ceux provenant de la taxation ou provenant de l'accroissement du volume ou du nombre de ses revenus indirects ne peut pas grossir les bénéfices du Canadien Pacifique tandis que cela contribue à augmenter les revenus de l'Etat. Il faut toujours faire une distinction, je crois, très importante, à mon avis, car le Canadien National est une entreprise publique et le Canadien Pacifique est une entreprise privée.

Q. Vous parlez ensuite des ressources naturelles, et vous parlez d'un estimé de 100 millions de cordes de bois prêt à l'exploitation. Par qui cet estimé a-t-il été fait?

R. J'ai obtenu cet estimé, de même que la plupart des renseignements contenus dans le rapport, du ministère provincial des Terres et Forêts.

Q. Dans le même paragraphe vous réferez à la facilité d'exploitation de cette forêt,-- c'est-à-dire une :

fois le chemin de fer constuit? R. Oui, facilité aussi du point de vue géographique. C'est une région où les accidents géographiques sont très rares, où le terrain est très solide. Il serait relativement facile et peu dispendieux de construire une route ou même une voie ferrée.

Q. Sous le même titre, dans le même paragraphe, vous dites: Il n'est pas désirable que toutes ces richesses soient transformées dans la région. Est-ce à dire qu'il n'est pas désirable d'avoir des industries dans cette région-là? Est-ce ce que vous croyez? R. Non, je crois seulement qu'il n'est pas désirable que toutes les richesses forestières dans cette région-là soient transformées dans la région. Ce ne serait pas économique. Beaucoup de compagnies de pulpe et de papier dans le Québec et même dans l'Ontario manquent de ressources forestières, manquent de matières premières. Alors que de nouvelles pousses ne seront prêtes à être exploitées que dans 30 ans, je crois qu'il n'est pas désirable d'infirmier, dans un avenir plus ou moins rapproché, ces usines actuellement existantes, par la construction de nouvelles usines dans cette région,--elles n'en seraient quitte ensuite à rouvrir qu'au bout d'une trentaine d'années. Je crois que ce serait une perte de capital, une perte d'équipement,--ce ne serait pas désirable.

Q. Maintenant, vous avez mentionné 100 millions de cordes de bois, et à la page 4, troisième paragraphe, vous dites: Une réserve d'environ 50 millions de cordes serait accessible au chemin de fer projeté. Pour exploiter cette autre réserve de 50 millions de cordes, est-ce qu'il serait nécessaire de construire un autre embranchement de chemin de fer? Comment ferait-on pour exploiter ces autres 50 millions de cordes? R. Sans aucun doute, qu'une nou-

velle ligne servirait ou serait désirable et utile en direction du lac Mattagami. Je crois que vous pourrez localiser le lac Mattagami sur la carte. Ce serait peut-être avantageux. Il y aurait peut-être une distance de 60 milles. Et, au delà de cette région, vers l'ouest, je crois que l'exploitation de la forêt serait assez difficile, c'est une région de marais.

Maintenant, à la page 6, au dixième paragraphe, vous référez aux ressources minières, aux découvertes déjà faites, aux témoignages d'experts et d'hommes d'expérience, et vous dites que tout permet de prédire des développements rapides et importants dans la région. Voulez-vous développer ces points-là et nous dire la source de vos renseignements? R. Encore là, j'ai consulté tout particulièrement le ministère des Mines de la province de Québec. C'est là que je les ai obtenus. Et j'ai reproduit dans mon rapport la situation du point de vue exploration, du point de vue découverte, qui existait l'an dernier. Je crois que vous pourriez référer aux pages 30, 31, 32, 33 et 34, alors, des rapports ou déclarations des différentes compagnies où leurs découvertes présentes sont indiquées. En fait, tous les experts, les ingénieurs miniers ou forestiers que j'ai rencontrés et consultés sur le problème m'ont tous dit qu'il s'agissait de la région la plus riche que la province de Québec n'ait jamais eu et qui est la mieux équilibrée du point de vue nature.

Q. Dans le développement de ces ressources minières, vous parlez des développements rapides de la région. Dans quel délai, croyez-vous, après la construction du chemin de fer pourrait-on effectuer un développement assez important? R. Voixi, je crois qu'il est assez difficile de construire un système de prévision sur ce qui va se passer dans l'avenir. Je crois d'abord que c'est la fonction de la construction du chemin de fer;

deuxièmement, c'est la fonction également de la politique du Gouvernement provincial; et, c'est la fonction aussi, dans une très large mesure, des fluctuations économiques qui compteront dans l'avenir. Je crois que s'il y a des besoins, dans l'avenir, des besoins économiques et réels, qu'ils se feront plus rapides. Je crois bien que sur une période de dix ans, il y aura certainement des développements importants.

Q. Vous parlez, au paragraphe 12, page 6, de l'inventaire des sols qui n'est pas encore complet. Je crois que cette question relève du ministère de l'Agriculture? R. De la Colonisation. Actuellement le ministère de la Colonisation a des plans très définis et très détaillés pour le développement de 30 localités dans cette région. On a même localisé définitivement le site des églises. Alors, les plans sont très détaillés et l'on a enquêté jusqu'à présent sur 25 cantons.

Q. Vous mentionnez dans le même paragraphe que l'on pourrait aussi établir 15,000 cultivateurs dans cette seule zone, la dernière, dans la province de Québec, à offrir des possibilités d'expansion agricole. Vous dites, là, que vous considérez qu'un développement agricole se ferait seulement, où est-ce qu'il y en a d'autres que vous avez considéré dans votre mémoire? R. Il y en a d'autres. Je crois, simplement, que le développement de la région au point de vue agricole ne justifie pas la construction d'un chemin de fer.

Q. Il doit y avoir en même temps les autres que vous mentionnez? R. Seulement, le développement et l'exploitation des autres ressources naturelles contribueraient à créer un marché local pour la région.

Q. Maintenant, à la septième page, au paragraphe où il est question des conséquences économiques du projet, vous mentionnez que le coût de la construction du chemin

de fer proposé s'élèverait à environ 14 millions de dollars, en supposant une dépense de \$85,000 par mille.

Voulez-vous nous donner la source de ce renseignement-là?

R. J'ai consulté, à ce sujet, des ingénieurs industriels du Canadien National, qui m'ont donné ces chiffres après avoir été dans la région faire un estimé grosso modo du coût approximatif.

Q. Est-ce que le coût de construction dans cette région-là est comparable aux autres régions de la province?

R. On m'a dit que la topographie est très avantageuse, que le coût de construction serait moins élevé que dans les autres régions déjà développées.

Q. Qui vous a dit cela? R. M. Marchand, ingénieur industriel du Canadien National, à Québec.

Q. Lorsque vous référez au coût de 14 millions de dollars, est-ce que cela comprend la voie et les gares?

R. Oui, monsieur.

Q. Maintenant, à la page 8, paragraphe 3, vous dites: Au cours des années de prospérité relative, le transport du bois, ainsi que des hommes et des marchandises nécessaires aux opérations forestières pourrait rapporter environ \$6.5 millions au Canadien National. Sur quoi ce chiffre est-il basé? R. Nous avons supposé une exploitation rationnelle et des marchés adéquats puisque nous parlons d'une situation de prospérité. Si nous parlons d'une situation de prospérité il est possible de produire environ un million de cordes de bois par année, de transporter un million de cordes de bois par année. Et, d'après les renseignements fournis par le Canadien National encore une fois, on nous a dit que le coût moyen du transport du bois dans cette région s'élèverait à environ \$6 la corde. C'est ainsi que nous arrivons à 6 millions pour le transport du bois, et le coût ou le revenu de 500 mille dollars provient du transport de la marchandise nécessaire à l'exploita-

tation des ressources forestières, et le transport des hommes.

Q. C'est un estimé que vous faites? R. Oui, c'est un estimé. Je vous donne ma méthode. Je ne crois pas qu'elle puisse avoir une valeur absolument exacte. Elle est approximative. Je vous donne une étude illustrée.

Q. Naturellement on ne pourrait pas s'attendre à un revenu de ce montant avant que la région ne soit raisonnablement développée et exploitée? R. C'est entendu.

Q. Lorsque vous avez fait ces estimés, est-ce que vous avez pris en considération la possibilité du développement du système rentier plus tard? R. Je crois que le type de ressources naturelles qui existe, que l'on trouve dans cette région n'est pas susceptible à être transporté en grande quantité par camion. Le transport, sur une assez longue distance, du bois, le transport du minerai, etc., n'est pas profitable, n'est pas économique par camion.

Q. Maintenant, à la huitième page, au sixième paragraphe, vous référez à des revenus probables, de l'agriculture, de 25 millions de dollars par année et ensuite à ceux des opérations forestières dont le montant est à peu près semblable, et sans tenir compte des autres revenus. Quel montant total figurez-vous donner, de façon raisonnable, lorsque les régions industrielles seront développées? R. C'est assez difficile, évidemment. Les produits miniers de la région de l'Abitibi s'élèvent actuellement au delà de 150 millions de dollars. Un montant de 100 millions de dollars serait certainement conservateur, si l'on considère toutes les ressources naturelles dans cette nouvelle région-là.

Q. Maintenant, votre principale recommandation, je crois, est à la page 14. Alors vous demandez aux autorités concernées: si elles jugent l'entreprise encore trop hasardeuse, elles pourraient, au moins, annoncer officiellement leur intention de construire le chemin de fer. Lorsque vous parlez des autorités, parlez-vous de la Compagnie? R. Conjointement. La présente étude n'a pas du tout la prétention d'être ni définitive ni exhaustive. Par exemple, le tracé du chemin de fer n'est pas encore déterminé; son coût n'est pas estimé de façon adéquate.

Toutefois, les conclusions du rapport concernant les ressources naturelles de la région nous justifient de dire, il me semble, qu'en principe, au moins, le projet actuel apparaît comme utile et comme désirable.

Dans ces conditions, le Conseil d'Orientation Économique d'Abitibi serait, je crois, satisfait si la Commission Royale recommandait au gouvernement fédéral et au Canadien National d'entreprendre aussitôt que possible tous les travaux, toutes les recherches nécessaires à la réalisation du projet, tel comme par exemple envoyer des ingénieurs industriels chargés d'estimer le coût probable du chemin de fer, d'en déterminer également le tracé et d'en venir ensuite, toujours dans le plus bref délai possible, à quelque chose de définitif de sorte que si l'on reconnaît que le projet est réalisable sa réalisation puisse être terminée au cours des prochaines années.

Je crois que de cette façon-là, la demande du Conseil d'Orientation Économique n'est pas exagérée, étant donné les conclusions et l'état des recherches actuelles concernant la région.

Q. Maintenant, c'est tout qu'est-ce que j'avais à vous demander. Peut-être que d'autres ici désirent vous questionner. R. Très bien.

M. Frawley: M. Lamontagne, est-ce que je comprends que vous êtes ici, devant la Commission, parce que le Canadien National est en cause. Si la compagnie du Canadien Pacifique était en cause, est-ce que vous seriez ici tout de même? R. Je crois que nous ne saurions demander la même chose au Canadien Pacifique qu'au Canadien National.

Q. Pourquoi? R. Nous ne pourrions certainement pas exiger du Canadien Pacifique qu'il tienne compte des effets indirects des profits alors que nous pouvons exiger que le Canadien National en tienne compte.

Q. C'est important pour vous que le Canadien National soit une entreprise publique? R. C'est très important.

Q. Ce n'est pas une question de chemin de fer, comme ça? R. Comment?

Q. Il ne s'agit pas d'une question de chemin de fer? R. Il y a deux choses. Le Canadien National est une compagnie de transport et, également, une entreprise publique. Nous ne pouvons pas du tout assimiler le comportement d'une entreprise privée à une entreprise publique. Si le peuple du Canada a jugé bon à un moment donné de se donner un réseau de transport, je crois que celui-ci doit répondre aux désirs du peuple.

Q. Le Canadien National est la propriété du Gouvernement du Canada? R. Oui, monsieur.

Q. Est-ce que vous allez faire appel au Gouvernement? R. C'est une première expression d'opinion. Nous avons également présenté notre demande au Canadien National et, je crois, le Conseil d'Orientation Economique a demandé, au cours du dernier mois, une entrevue avec la compagnie à ce sujet-là.

Q. M. Lamontagne, je ne suis pas opposé à votre soumission, mais seriez-vous intéressé dans la question si

c'était le Canadien Pacifique qui serait ici et que le Canadien National ne serait pas ici du tout. Est-ce que vous pouvez comprendre cela? R. Pas nécessairement. Seulement, je crois que ce serait différent. Nous ne pourrions pas exiger cela du Canadien Pacifique.

Le Président: Le Canadien National a-t-il déjà une ligne dans ce territoire-là? R. Oui, monsieur, et précisément pour ce le Canadien Pacifique ne peut pas se comporter comme le Canadien National.

M. Frawley: Il ne le peut pas? R. Non.

Le Président: Qu'est-ce que vous voulez dire par: il ne le peut pas. Est-ce parce que ce chemin de fer n'est pas déjà dans le territoire mais que le Canadien National y est? R. C'est la raison principale.

Q. Le Canadien Pacifique n'y est pas? R. Non. Et, je dirais même plus...

Q. Si le chemin de fer déjà là était celui du Canadien Pacifique et si c'était le Canadien Pacifique qui avait déjà commencé ce prolongement de 40 ou 50 milles, est-ce que ce serait à lui que vous demanderiez une extension? R. Nous pourrions le lui demander à condition que le Gouvernement serait prêt à verser, pour le temps d'une période de déficit, un subside au Canadien Pacifique. Le Canadien Pacifique étant une entreprise privée est là pour faire des profits ou, au moins, pour équilibrer ses dépenses avec ses revenus. Les conséquences indirectes du projet, par exemple, une hausse des revenus, voudrait dire une hausse du revenu de la taxation. Ceci contribuerait à augmenter les revenus de l'Etat mais ne contribuerait pas à accroître les revenus du Pacifique Canadien.

M. Frawley: Si le résultat de la construction du chemin de fer est un déficit pour le Canadien National, cela n'est pas très important? R. Voici, c'est important, seulement je crois qu'il y a ceci à considérer. Nous

parlons d'un fait, que le Canadien National est une entreprise publique. Si elle est une entreprise privée, cette compagnie-là doit se comporter de telle façon qu'elle doit surtout rechercher l'utilité générale ou le bien commun général de la Nation alors que l'entreprise privée n'est pas obligée de se comporter de cette façon-là, et si elle le voulait, en certaines circonstances, elle pourrait ne pas tenir compte des revenus mais seulement du coût des opérations, elle ne pourrait ne pas tenir compte de l'utilité générale, et elle ne serait pas obligée de marcher.

Q. Il y a une différence importante entre le Canadien National et le Canadien Pacifique? R. Oui, la première est une entreprise publique, la seconde est une entreprise privée.

Q. Et c'est particulièrement parce qu'il s'agit du Canadien National que vous êtes ici, aujourd'hui? R. Pas nécessairement.

Q. Particulièrement? R. Je crois que c'est parce que l'on ne pourrait pas laisser au Canadien Pacifique le soin, à lui-même, d'entreprendre ce projet-là.

M. O'Donnell: Pourquoi pas? R. Il pourrait encourir un déficit et il pourrait se faire que le Canadien Pacifique encoure des déficits alors même que les revenus de l'Etat vont en augmentant et que leur total en dépasse le coût. Le Canadien National étant une corporation publique, ou du moins étant du Gouvernement, est en mesure de tenir compte de cet effet-là. Le Canadien Pacifique ne l'est pas, lui.

Q. D'après vous, ce n'est pas important que le Canadien National encoure un déficit? R. Je n'ai pas dit cela.

Q. Cela vient à dire cela? R. J'ai dit que

ce n'est pas une condition essentielle de son comportement. Le Canadien National peut continuer à survivre et peut continuer à rendre de très grands services, peut-être des services plus grands que ceux du Canadien Pacifique, en encourant des déficits.

Q. En fait, il rend tellement de services que vous n'avez pas d'objection à ce qu'il encoure des déficits? R. Non.

M. O'Donnell: Je voudrais simplement dire ici que n'ayant lu aucune copie du mémoire, je n'ai pas été en position de prendre des renseignements quant à l'étude qui aurait pu être faite jusqu'à date au sujet de ce chemin de fer. Je sais que l'année passée le Canadien National a fait finir la construction de la partie du chemin de fer Barraute au Rapide des Cèdres et cela a été fait, Votre Seigneurie, d'après l'autorisation de l'Acte du Parlement, Chapitre 41, l'Acte X, George VI, du 31 août 1946.

Le Président: Quelle année?

M. O'Donnell: 1946, août le 31, 1946, Acte X, George VI, Chapitre 41. Et d'après la loi qui régit le Canadien National il sera nécessaire d'obtenir un Acte du Parlement pour autoriser la construction d'un chemin de fer semblable. J'ignore à quel point l'étude aurait pu être faite jusqu'à date. En tout cas, le département des recherches et des développements du CPR étudie des situations, des problèmes semblables.

C'est tout ce que j'ai à lui offrir.

COMMISSIONER INNIS: Q. I have one question. On page 3, under six, this is a sort of general principle that you are enunciating here. What test would you propose, in the way of limiting the funds which might be spent on the Canadian National, in carrying out your general objective?

A. Well, I do not think there is any definite limit that you can put, in the application of so general a principle. But what I meant, by stating that general principle, is that the public enterprise must take into account the indirect consequences of a project such as that which is under discussion now.

The limit to which we should go could not be defined in precise terms. But there is always a place for valid judgment in a particular case.

Q. If you accepted that general principle, it would mean that you would not be concerned, primarily, with the balance sheet of the Canadian National Railways, in so far as it showed a deficit or showed a profit.

A. Because I do not think there is a definite correlation between the profitability of an extension of service and social benefit.

Q. What would be your views with regard to the Canadian Pacific, if that general principle were adopted in the Canadian National?

A. Would you mind repeating your question?

Q. What would be your view as to the implications of the general principle, so far as the Canadian National is concerned, to the Canadian Pacific?

A. Well, I think it would require quite a piece of work to justify my answer.

Q. The point would be that your rates would be set, presumably, in relation to the principle you have enunciated

for the Canadian National, and would necessarily compel the Canadian Pacific to follow the same pattern?

A. Not necessarily. I think the Canadian National can fix its rates at the same level as the Canadian Pacific, and then compensate its deficit through general taxation, which is not a new phenomenon in the history of the Canadian National.

Q. You would not say that the reverse: that the Canadian Pacific would base its rates on the rates that were fixed by the Canadian National?

A. Otherwise, I think it would be the end of the Canadian Pacific as a private enterprise.

MR. O'DONNELL: It sure would.

COMMISSIONER INNIS: Q. Your view then would be that you would use the Canadian Pacific as a sort of limiting factor on the extent to which you would carry out the principles?

A. Well, more or less, although I would not rely too much on that limiting factor.

Q. You would not concede that much to private enterprise?

A. Not necessarily.

M. Angus: Comme conséquence de votre raisonnement, vous avez établi une différence entre l'entreprise privée du Canadien Pacifique et l'entreprise publique du Canadien National, est-ce qu'il ne s'ensuit pas qu'à l'avenir toute construction de chemin de fer au Canada appartienne aux entreprises d'Etat? R. Evidemment, je crois, si nous abordons ce sujet que les opinions peuvent varier selon les individus, d'après l'ensemble de principes que chacun tient pour vrai. Pour ma part, je serais enclin à répondre dans l'affirmation à votre question. Maintenant, il n'y a pas aucune valeur scientifique ou expérimentale à cette affirmation. Il s'agit d'affirmer un principe, simplement.

Q. Est-ce possible, en l'occurrence, que des régions qui dépendraient du Canadien Pacifique n'auraient pas à se plaindre? R. Je le crois.

-7750- M. Gilbert Lebel.

GILBERT LEBEL

appelé.

M. Desmarais: M. Gilbert Lebel, de Senneterre, vice-président du Conseil d'Orientation Economique d'Abitibi, désire se faire entendre. Il n'a pas de mémoire préparé.

Le Président: Au sujet de ce même mémoire?

M. Desmarais: Non.

Le Président: Il s'agit d'une autre région?

M. Desmarais: Non, de la même région. Il veut faire certaines représentations au sujet du niveau de tarifs de chemin de fer dans sa région.

Le Président: M. Lebel, vous avez quelque chose à dire sur le tarif du transport? R. Oui, monsieur.

Q. Quelles sont vos initiales? R. G.B.

M. Desmarais: Quelle est votre occupation, M. Lebel? R. Contracteur et industriel.

Q. Vous demeurez où? R. A Senneterre, dans l'Abitibi est.

Q. Je crois que vous êtes vice-président du Conseil Economique d'Abitibi, n'est-ce pas? R. Oui, monsieur.

Q. Pouvez-vous dire en deux mots ce que c'est que cette organisation? R. Le Conseil d'Orientation Economique d'Abitibi se promouvoit de développement en général.

Le Président: Parlez fort pour que tout le monde ici vous entende. R. Le Conseil d'Orientation Economique d'Abitibi s'occupe surtout des mouvements d'intérêts généraux des cantons de l'Abitibi, comme du développement de nos ressources naturelles, de nos forêts, de notre transport en général, de nos pouvoirs hydrauliques. Cela se résume un peu à ceci.

M. Desmarais: Qui sont membres de cette organisation? R. L'Organisation, c'est un complémentaire des Chambres de commerce.

Q. Ce sont les maires des municipalités, des cantons? R. Tous les maires de comtés, le président de la Chambre de commerce, M. Armand Dumas, président du comté de Villeneuve, et tous les hommes d'affaires.

Q. Est-ce qu'il y a longtemps que vous demeurez dans la région? R. Je suis dans la région depuis 1923.

Q. Vous connaissez bien les conditions qui y existent ainsi que celle du transport dans la région?

R. Oui, monsieur.

Q. Vous m'avez déclaré que vous aviez des représentations à faire au sujet du taux des chemins de fer à la Commission? R. Je voudrais parler à la Commission des répercussions économiques au sujet des taux de chemins de fer.

On est situé un peu éloigné des autres, on est beaucoup au nord. Alors la répartition des taux de fret à tant pour cent est répartie de façon que c'est plus élevé que les taux des grands centres. Prenez, par exemple, cette figure-ci, et je serai aussi bref que possible, prenez comme figure le bois de papier. Pour le bois de papier, avant la guerre, et même durant la guerre, notre taux de fret était dans l'average de \$6 la corde, aujourd'hui il est dans l'average de \$9 la corde. Le résultat, c'est qui va s'acheter, dans l'Abitibi, à peu près 50 p. 100 moins de bois que dans les années précédentes. Pourtant c'est une marchandise. C'est notre industrie première, le bois, dans l'Abitibi. On est un jeune pays qui se développe et le bois est la matière première que l'on prend sur la ferme. Et ce bois-là est perdu complètement si on ne l'utilise pas.

Comme vous l'avez vu dans le rapport de M. Lamontagne, on a une très grande quantité de bois dans l'Abitibi et on a du bois qui a dépassé la maturité depuis plusieurs années. C'est donc dire que si l'on n'a pas de taux de fret raisonable, des taux qui ne sont pas prohibitifs, on ne pourra pas exploiter la forêt et on va perdre des millions et même des milliards, on va perdre notre principale source de revenus. C'est à peu près cela pour le bois de papier.

Je sais que vous êtes habitués aux enquêtes, que vous en avez déjà faites. Il y a un autre facteur, c'est le bois de sciage, une première industrie de l'Abitibi.

Le bois de sciage, avant la guerre, coûtant \$6, et même pendant la guerre; aujourd'hui il coûte \$8.12 pour Montréal et il coûte \$9.80 pour Toronto. Et cela c'est l'average des taux de fret de l'Abitibi.

Maintenant, sur la petite ligne nouvellement construite qui va de Barraute à Kiask Falls, il y a un taux de fret spécial de \$4.18 du mille pieds qui donne un taux de fret rajouté au taux de fret déjà existant de Barraute aux grands centres de distribution, ce qui donne un taux de fret de \$13.80 pour Toronto et de \$12.30 pour Montréal. Cela paralyse les affaires. Plusieurs ont commencé à vouloir exploiter sur cette ligne-là. Cette ligne-là a été bâti exclusivement pour charroyer le bois aux colons. Ils sont obligés d'escompter jusqu'au taux de fret. Et plusieurs dans l'Abitibi, cette année, laissent les affaires et c'est un peu spécialement dû au taux de transport, et parce que le bois a une tendance à baisser les taux de transport montent.

Si les taux de transport restent tels qu'ils sont aujourd'hui, bien, l'économie d'aujourd'hui va en

souffrir, et même tout en général parce que le bois que l'on fait dans l'Abitibi on le transporte dans les grands centres et ils s'en servent pour construire ou pour faire du papier; ils font travailler les gens avec. Autant dire qu'on est à peu près le grenier le plus vaste pour fournir tous les restants du pays.

Moi le premier, j'ai employé jusqu'à 1500 hommes; l'année dernière, au delà de 600 hommes; cette année, j'en emploie 50.

Q. Est-ce que vous attribuez cela aux taux de chemin de fer qui sont trop élevés, ou à d'autres raisons? R. Bien, c'est-à-dire, oui. J'arrive de faire le tour. J'ai fait le tour d'un peu tout le quartier et en bois de sciage. Et je suis revenu avec ceci: si on a un client, tout de suite on calcule le taux de fret immédiatement et comme le taux de fret est trop haut il n'est pas capable de l'acheter au prix où il peut le vendre. Tous les matériaux de construction ont tendance à vouloir descendre parce que le coût de la vie est excessif, et on hausse les taux de transport ce qui contribue à faire monter le coût de la vie.

Dans notre région l'average des taux de fret pour les marchandises sèches et les groceries est au-delà de un dollar du cent.

Q. Comment est-ce que cela se compare, ce taux-là, avec le taux dans les autres régions de la province? R. Dans la province? Autour des grands centres, vous n'avez pas un average de taux de fret au delà de 35¢. Prenez alentour des grands centres, lorsque vous avez la compétition entre deux chemins de fer, ou la compétition des camions, vous avez des taux de fret réduits.

Dans notre région, il n'y a pas de compétition, sauf à Val d'Or où l'on vous donne un prix pour l'été.

1. The first part of the report

2. The second part of the report

3. The third part of the report

4. The fourth part of the report

5. The fifth part of the report

6. The sixth part of the report

7. The seventh part of the report

8. The eighth part of the report

9. The ninth part of the report

10. The tenth part of the report

11. The eleventh part of the report

12. The twelfth part of the report

13. The thirteenth part of the report

14. The fourteenth part of the report

15. The fifteenth part of the report

16. The sixteenth part of the report

17. The seventeenth part of the report

18. The eighteenth part of the report

19. The nineteenth part of the report

20. The twentieth part of the report

21. The twenty-first part of the report

22. The twenty-second part of the report

23. The twenty-third part of the report

24. The twenty-fourth part of the report

25. The twenty-fifth part of the report

26. The twenty-sixth part of the report

27. The twenty-seventh part of the report

28. The twenty-eighth part of the report

29. The twenty-ninth part of the report

30. The thirtieth part of the report

31. The thirty-first part of the report

32. The thirty-second part of the report

A part de cela, il n'y a pas de compétition. Il n'a a qu'un seul chemin de fer que nous encourageons, et malgré eux autres, et ils ne veulent pas nous donner la chance de l'encourager.

Je travaille avec le chemin de fer depuis 1923; j'ai expédié, à moi seul, tout près de 2 millions de cordes de bois. J'en ai expédiées en Ontario pour plusieurs millions de dollars.

Je connais un peu ce que c'est que le chemin de fer. Je crois que je n'ai rien que des félicitations à leur faire. Je m'arrange bien avec eux autres. Tout le monde fait son possible. Mais, comme le CNR qui est obligé de tenir un système de transport de CPR est obligé de tenir des trains sur la ligne, et ils payent leurs employés la même chose que s'ils ne descendaient que la moitié du fret. Si le tonnage est de 50 millions de livres et qu'ils ne descendent qu'avec 20 millions de livres, ils payent leurs employés la même chose, et leurs chars s'usent la même chose, et leurs locomotives aussi, etc.

Q. Vous prétendez que leurs taux? R. Sont prohibitifs.

Q. Cela leur enlève un volume de trafic payant? R. Oui. Si l'on veut financer la CNR par lui-même, ou le Pacifique Canadien, il ne faut pas le faire en suivant notre région dont dépend l'économie du peuple parce que c'est l'économie du peuple qui va en souffrir. Ce n'est pas toujours juste, non plus, surtout dans une place éloignée comme on l'est, de nous faire payer pour les autres surtout dans ces endroits où il n'y a pas de compétition. Il vaudrait mieux aider ou subventionner le chemin de fer, et tout le monde paierait également.

Q. Vous êtes en faveur, pour les régions éloignées, d'un tarif raisonnable et d'aider, au moyen de subventions, le chemin de fer? R. Il faut un tarif raisonnable. Tout va en augmentant. Si personne n'arrête de monter le coût de la vie, où est-ce que l'on va? Il me semble que l'Etat devrait commencer à donner l'exemple, d'arrêter de faire monter le coût de la vie.

Q. Est-ce que vous avez d'autres remarques à faire? R. Si vous avez d'autres questions à me poser.

Le Président: Si vous voulez, il peut continuer demain.

M. Desmarais: A moins qu'il ne veuille partir ce soir.

M. O'Donnell: Mr. Chairman, I would just like to observe that his rates, like those of everybody else, are fixed by the Board of Transport Commissioners; and as far as his markets for pulpwood, this year, are concerned, they are the same as for everybody else.

Le Président: Avez-vous fait une demande à la Commission permanente des chemins de fer au sujet de ce tarif-là? R. Oui, il y a eu des représentations de faites, --pas tout dernièrement,-- il y a eu des représentations de faites voilà quatre ou cinq ans de ma part, mais pas depuis ce temps-là.

Q. On a jamais rien fait pour vous? R. ON a été très bien usé par les chemins de fer, pareil, surtout et en tout. Ce n'est pas moi qui va se plaindre des chemins de fer. Le chemin de fer, s'il veut se financer par ses propres moyens, c'est bien! Il y a une chose cependant, nous autres on est plus capable, il faut arrêter.

every, from the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

of the year, and the first day

Le Président: Les tarifs en cours dans cette région sont des tarifs normaux, il n'y a pas de tarifs de concessions, il n'y a pas de tarifs spéciaux?

M. Desmarais: Seulement à Val d'or où il y a concurrence en été par les camions.

Q. Est-ce qu'il y a une réduction substantielle? R. Non, elle n'est pas grosse et c'est seulement au char, pas au waight-freight mais au char complet.

Q. Votre difficulté, est-ce depuis la récente augmentation des taux ou avant cela? R. La difficulté a commencé avec la première.

Q. La première augmentation? R. Oui, monsieur.

Le Président: Vous parlez de quelle année, M. Lebel? R. L'année dernière.

Q. Avant cela, ça allait assez bien? R. Pas mal. Si l'on avait gardé les mêmes taux, ne pas avoir eu les deux dernières aussi, on aurait été satisfait.

Q. Donnez-moi une comparaison des deux taux seulement qui existaient avant l'année dernière? R. Il y avait \$6.

Q. Quelle est la comparaison de chez vous à Montréal, par exemple? R. Je n'ai pas de comparaison pour les taux pour les épiceries et les groceries mais j'ai la comparaison pour le bois, par exemple.

Q. Pour le bois? R. Avant la hausse de 21 pour 100 c'était \$6.25, aujourd'hui c'est \$8.12.

Le Président: Est-ce que l'augmentation est justifiée?

M. O'Donnell: Sur le taux de \$6 il y a eu une augmentation de 30.6 pour 100, donc \$1.84, ce qui fait un total de \$7.80 au lieu de \$6.

M. Desmarais: Votre tarif actuel, celui qui est cité là, est-ce bien celui que vous payez?

M. Lebel: Oui, c'est le chiffre que l'on paye actuellement.

Le Président: Nous prenons note de tout ce que vous dites. Comme vous le savez, il y a déjà une Commission des chemins de fer qui s'occupe de cela et qui fait partie de ses devoirs.

M. Lebel: Je ne viens pas aujourd'hui à titre personnel.

Le Président: Lorsque des recommandations vous sont faites pour des régions et des tarifs, nous leur donnons notre meilleure considération.

THE UNIVERSITY OF CHICAGO

Mr. J. H. ...

• **Learn about**

1901 1902 1903 1904 1905 1906 1907 1908 1909 1910 1911 1912 1913 1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080 2081 2082 2083 2084 2085 2086 2087 2088 2089 2090 2091 2092 2093 2094 2095 2096 2097 2098 2099 2100 2101 2102 2103 2104 2105 2106 2107 2108 2109 2110 2111 2112 2113 2114 2115 2116 2117 2118 2119 2120 2121 2122 2123 2124 2125 2126 2127 2128 2129 2130 2131 2132 2133 2134 2135 2136 2137 2138 2139 2140 2141 2142 2143 2144 2145 2146 2147 2148 2149 2150 2151 2152 2153 2154 2155 2156 2157 2158 2159 2160 2161 2162 2163 2164 2165 2166 2167 2168 2169 2170 2171 2172 2173 2174 2175 2176 2177 2178 2179 2180 2181 2182 2183 2184 2185 2186 2187 2188 2189 2190 2191 2192 2193 2194 2195 2196 2197 2198 2199 2200 2201 2202 2203 2204 2205 2206 2207 2208 2209 2210 2211 2212 2213 2214 2215 2216 2217 2218 2219 2220 2221 2222 2223 2224 2225 2226 2227 2228 2229 2230 2231 2232 2233 2234 2235 2236 2237 2238 2239 2240 2241 2242 2243 2244 2245 2246 2247 2248 2249 2250 2251 2252 2253 2254 2255 2256 2257 2258 2259 2260 2261 2262 2263 2264 2265 2266 2267 2268 2269 2270 2271 2272 2273 2274 2275 2276 2277 2278 2279 2280 2281 2282 2283 2284 2285 2286 2287 2288 2289 2290 2291 2292 2293 2294 2295 2296 2297 2298 2299 2300 2301 2302 2303 2304 2305 2306 2307 2308 2309 2310 2311 2312 2313 2314 2315 2316 2317 2318 2319 2320 2321 2322 2323 2324 2325 2326 2327 2328 2329 2330 2331 2332 2333 2334 2335 2336 2337 2338 2339 2340 2341 2342 2343 2344 2345 2346 2347 2348 2349 2350 2351 2352 2353 2354 2355 2356 2357 2358 2359 2360 2361 2362 2363 2364 2365 2366 2367 2368 2369 2370 2371 2372 2373 2374 2375 2376 2377 2378 2379 2380 2381 2382 2383 2384 2385 2386 2387 2388 2389 2390 2391 2392 2393 2394 2395 2396 2397 2398 2399 2400 2401 2402 2403 2404 2405 2406 2407 2408 2409 2410 2411 2412 2413 2414 2415 2416 2417 2418 2419 2420 2421 2422 2423 2424 2425 2426 2427 2428 2429 2430 2431 2432 2433 2434 2435 2436 2437 2438 2439 2440 2441 2442 2443 2444 2445 2446 2447 2448 2449 2450 2451 2452 2453 2454 2455 2456 2457 2458 2459 2460 2461 2462 2463 2464 2465 2466 2467 2468 2469 2470 2471 2472 2473 2474 2475 2476 2477 2478 2479 2480 2481 2482 2483 2484 2485 2486 2487 2488 2489 2490 2491 2492 2493 2494 2495 2496 2497 2498 2499 2500 2501 2502 2503 2504 2505 2506 2507 2508 2509 2510 2511 2512 2513 2514 2515 2516 2517 2518 2519 2520 2521 2522 2523 2524 2525 2526 2527 2528 2529 2530 2531 2532 2533 2534 2535 2536 2537 2538 2539 2540 2541 2542 2543 2544 2545 2546 2547 2548 2549 2550 2551 2552 2553 2554 2555 2556 2557 2558 2559 2560 2561 2562 2563 2564 2565 2566 2567 2568 2569 2570 2571 2572 2573 2574 2575 2576 2577 2578 2579 2580 2581 2582 2583 2584 2585 2586 2587 2588 2589 2590 2591 2592 2593 2594 2595 2596 2597 2598 2599 2600 2601 2602 2603 2604 2605 2606 2607 2608 2609 2610 2611 2612 2613 2614 2615 2616 2617 2618 2619 2620 2621 2622 2623 2624 2625 2626 2627 2628 2629 2630 2631 2632 2633 2634 2635 2636 2637 2638 2639 2640 2641 2642 2643 2644 2645 2646 2647 2648 2649 2650 2651 2652 2653 2654 2655 2656 2657 2658 2659 2660 2661 2662 2663 2664 2665 2666 2667 2668 2669 2670 2671 2672 2673 2674 2675 2676 2677 2678 2679 2680 2681 2682 2683 2684 2685 2686 2687 2688 2689 2690 2691 2692 2693 2694 2695 2696 2697 2698 2699 2700 2701 2702 2703 2704 2705 2706 2707 2708 2709 2710 2711 2712 2713 2714 2715 2716 2717 2718 2719

100-44361-100

(English translation of evidence of Mr. Maurice Lamontagne as contained in Vol. 42, Nov. 10th, pages 7720-7749 inclusive.)

Mr. Lamontagne

MAURICE LAMONTAGNE, called

MR. DESMARAIS: We are now dealing with the brief of the Abitibi Economic Planning Council.

Q. Your given name is Maurice?

A. Yes, sir.

Q. You are a professor at Laval University?

A. Yes.

Q. In what Faculty?

A. Social Science.

Q. You are also a graduate of Harvard University?

A. Yes, sir.

Q. You prepared a memorandum for the Abitibi Economic Planning Council, did you not?

A. Yes, sir.

Q. Do you wish to read this memorandum to the Commission?

A. I will read a summary of it. The memorandum itself is much more comprehensive.

Q. I believe you can produce a map of the region before reading the summary?

A. I have here a copy of the map.

Q. The map is produced as Exhibit 108; it shows the Metagami Lake basin. Would you go on with the reading?

A. Yes, sir.

Last year, the Canadian National completed the construction of a railway line some 40 miles in length, from Barraute to Rapide des Cedres, in the Abitibi region.

The purpose of this study is to propose that the C.N.R. proceed with the project up to Chibougamau Lake, through Bachelor Lake, a distance of about 165 miles. Our task consists particularly in indicating under what criteria the project should be appraised and in showing

whether in the case their requirements are complied with.

Following a brief excursion into the realm of economic principles, we shall refer to the natural resources of the region and their development and conclude by showing the direct and indirect advantages of the proposed railway line.

A. Economic Principles

1. The project consists in asking the Canadian National Railways -- that is to say a public undertaking -- for an extension in their services. Before ascertaining whether the project is justified, it is first necessary to know under what conditions it could be considered as advantageous.

2. The most exacting condition for the project to be profitable corresponds to the requirements of an ordinary enterprise. It requires that the Canadian National Railways, which are considered as an ordinary undertaking, derive from their operation a revenue at least equal to the necessary expenditure, other consequences not being taken into consideration.

3. However, a public undertaking cannot base its decisions solely on the revenues received. Prior to improving its services, it must also consider the effect of such an improvement on the revenues collected by the government in the form of taxation. From this point of view, it can be said that an expansion project is advantageous, even if the public organization which undertakes it incurs a deficit, provided that revenues of all sorts derived therefrom by the government exceed the expenditure entailed.

4. Furthermore, since the government has the responsibility of contributing towards making the national revenue stable and maximum, a public undertaking

must compare the increase in its expenditures not so much with its revenue as with that of the national revenue. Thus, any project achieved by a public undertaking will be advantageous for the community, if the resulting increase in national revenue is greater than the required expenditure. On the other hand, expenditures being equal, a project will be all the more advantageous, compared with another, as it will contribute further to an increase in the national revenue.

5. Finally, the public undertaking must consider not only the direct and indirect economic utility of a project, but also its social utility.

6. In short, if a public undertaking is really desirous of a maximum increase in the public weal, which is its purpose, it cannot let the ordinary mechanism of the market guide its action. It must appraise a project from all its results and not consider solely its direct effects.

B. Natural Resources in the Region

1. The Mattagami region contains, according to a conservative estimate, at least 100 million cords of wood readily obtainable. The structure, high quality and facility of developing the forest contribute to increase its value considerably.

2. It is not desirable that such wealth be processed in the district, because such a development would not be economical as waterways do not permit the floating of timber over certain sections of their course, and because it is more advantageous to consolidate the already existing forest industries in the province than to create new ones.

3. Under these conditions, only the construction of a railway line can permit the economic development of a

great portion of such forest resources. A reserve of approximately 50 million cords would be available to the proposed railway. Finally, a combined plan of rational exploitation would make possible the transportation of one million cords annually.

4. Such natural wealth should be developed without delay as it represents an unproductive capital and there is also the danger of losing it at least partially by temporizing, due to fires which are always possible.

5. The geological structure of the Mattagami region is made up of three belts of Keewatin volcanic rocks meeting at their extremities and separated along their course by various kinds of intrusive rock formations.

Here, I think we can advantageously refer to the map accompanying this report. There are three belts of Keewatin-type volcanic rocks, a greenstone very prominently apparent.

6. The Keewatin altered greenstones are precisely those supplying the base metals, such as copper, zinc and lead, as well as the precious metals. The richest mining deposits are always found in greenstones, near the contact point with the intrusive rocks, especially in the places of least resistance and chiefly in the major fault zones. Now, the fault zones are very numerous in the region; a major fault was even noted, which appears to run through the territory from a southwesterly to a northeasterly direction.

And once again are shown on the map the fault zones localized to date in the geological survey of the region.

7. From a geological point of view, the three belts of Keewatin volcanic rocks are absolutely similar to the two fracture zones of Cadillac and Porcupine so

renowned for their mining resources. They are probably only an extension of the said zones.

8. Not only are geological conditions favourable to large mining deposits, but results already obtained are astonishing.

Here, if possible I would like to produce as an exhibit a map showing the mining properties in the region.

MR. DESMARAIS: This will be Exhibit 109.

EXHIBIT NO. 109 -- Map showing mining properties.

THE WITNESS: I will then produce it later.

BY MR. DESMARAIS: Q. Very well.

A. As you see, the map shows all the mining properties already held in the region and, as may be noted also, the mining properties constantly follow the fault zones already observed, do they not?

In fact, mining companies and prospectors did not wait until a transportation system was constructed to carry out research work in the region. Already 78 companies are established and hold more than 150 mining properties. After discovering ore that was rich and abundant enough to be worked, several companies have been forced to suspend operations, due to the lack of an adequate and economical transportation system.

9. As a matter of fact, if a map of the region is consulted, it is noted that prospecting has just begun. Research works are difficult and costly at present. The construction of a railway line would make them much easier while reducing the cost threefold. Moreover, it would facilitate access to the region located immediately north of the Mattagami district where geological conditions are favourable to mining deposits and where discoveries have already been made.

10. In short, the geological conditions, the

similarities with other territories rich in mining resources, the discoveries already made, the unanimous views of experts and experienced men, everything enables us to forecast rapid and important developments in the region as soon as adequate transportation facilities are provided.

11. The western portion of the Mattagami region, having been watered by the Barlow-Ojibway glacial lake, is therefore located in the "clay zone" and soils are very fertile.

12. Although the inventory of the soils is still incomplete, it is estimated that at least 25 townships, i.e. approximately 1,500,000 acres, can be advantageously destined to agriculture. Thus 15,000 farmers could be established in that area alone, the last, in the province of Quebec, to offer possibilities of agricultural expansion.

13. The Quebec Department of Colonization is only waiting for a suitable transportation system to establish settlers there. From this viewpoint, the proposed railway will have a double use: it will permit the development of agriculture, by making the region more easily accessible for those wishing to settle on farms; it will create a local market for farm products by ensuring the development of other natural resources and the formation of industrial centres.

14. Sand, gravel and other elements of fluvio-glacial deposits could be used in the manufacture of brick and cement, as well as in the building of roads.

15. Hydraulic resources are not lacking as it is estimated that an annual output of approximately 1,125,000 h.p. can be obtained. Moreover, these resources are well distributed throughout the region.

C. Economic Results of the Project

1. The construction cost of the proposed railway line would amount to approximately \$14 million, assuming an expenditure of \$85,000 per mile, this being, according to experts, a maximum for the region concerned.
2. By fixing the interest rate at 6 per cent, the annual amount for capital repayment will reach \$840,000. On the other hand, it is estimated that, for a railway of average importance, these fixed charges represent about 28% of the total expenditures, which means that the railway should yield at least \$3 million annually in order not to bring a deficit to the Canadian National Railways.
3. During years of relative prosperity, the conveyance of timber, as well as of the men and commodities required for forest operations could bring in approximately \$6,500,000 to the Canadian National Railways. This is not taking into account the transportation resulting from the development of mining resources, tillable land and also industrial centers. The volume of transportation would also be well distributed geographically. It would finally be diversified and comparatively stable during the economic cycle.
4. The comparison between the expenditures and direct revenues shows that the project would be profitable and advantageous for the Canadian National Railways. However, these indirect advantages far exceed in importance the direct effects.
5. The carrying out of the project will have cumulative secondary and tertiary effects on the volume of employment and national revenue, exceeding those resulting from the initial expenditure of \$14 million. Furthermore, it will be the essential condition for the economic development of the district and the results of such

development may be indirectly attributed to it.

6. Agriculture will contribute in creating a minimum of 15,000 positions and will provide a living for a population of 60,000 to 75,000 persons, while farm production will easily reach \$25 million annually. The contributions made by forest operations and mining development, from the employment and revenue standpoint, will not be less than those of agriculture. It is also necessary to take into account the manufactures, transportation, construction, trade and services, the joint contribution of which will exceed that of the three preceding industries.

7. The increase in revenues from taxation will, in itself, more than offset the charges imposed by the project on the community. This shows therefore that the resulting increase in the volume of employment and national revenue will greatly exceed the initial investment required.

8. The project, through the ensuing industrial development, will contribute in balancing the national economy and ensuring further economic and political independence in Canada, at a particularly opportune time in the history of this country.

9. In the prospect of anti-cyclic action designed to prevent the next depression, there is probably no other project, involving an equivalent public expenditure, which is likely to do more to increase the volume of employment and national revenue during a depression, as the project, in addition to having the same secondary and tertiary effects of other similar work, will assist in increasing considerably the volume of private investments.

10. However, the project itself should not be part of the general programme of public works to be applied

by the government during the depression. It should be carried out immediately, since its main anti-cyclic effects will only be felt in a few years.

11. In conclusion, the construction of the proposed railway line will mark an important step in the economic conquest of the northern portion of this country which contains immense natural resources necessary for our rapid and stable industrial development.

We believe we have proved in the course of this study that the construction of the railway from Rapide des Cedres to Chibougamau Lake will be profitable for the Canadian National, but that it will be still more advantageous for the Province of Quebec and for the entire country. It will bring about the economic development of an entire region, which means an increase of the general welfare and a more rational utilization of our productive resources. In addition, it may contribute in a much greater proportion than the expenditure it will require to prevent a depression which many consider impending.

We also believe we have justified the choice of the proposed route. The location of the natural resources of the region, their economic development, the extent of the area to be served and the present established facts seem to demand that the railway, starting from the southwest, follow a northeasterly direction.

Finally, we consider to have proved that the project should be carried out as soon as possible. Even the international situation demands that our economic development progress at a rapid pace. Moreover, it should be completed before the appearance of the first signs of a depression in order that its greatest anti-cycle consequential effects become apparent at the proper moment.

However, two objections could be raised to the immediate carrying out of the project. The first is the present scarcity of steel, although it would be surprising if that argument were brought forward during the discussion of the present project. In fact our government bodies know since more than four years that the north of the province of Quebec contains extensive deposits of iron ore, but they have done nothing to hasten the development of those resources, nor to make sure that at least a part of those deposits would serve to increase our steel production. During that time, the concerns that have obtained mining concessions in New Quebec are making ready to send the ore in its raw form directly to the United States, on pretext that they will be unable to sell it in Canada. At any rate, the carrying out of the project will not require such a great quantity of steel as to justify its delay solely on account of that factor. In short, the quantity of steel thus utilized could easily be replaced later if it were decided that electric furnaces be built to transform the iron ore of the Chibougamau region. It is therefore difficult to maintain the argument since it ends up in a vicious circle.

The second possible objection concerns the volume of transport and consists in claiming that the railroad cannot be built as long as a certain minimum quantity of transport is not guaranteed. That demand seems rather excessive. If it had been the case during the development of our railway system, many railroads which to-day are profitable would never have been constructed. On analysis, that objection can avoid the vicious circle with still more difficulty than the previous argument. How could anyone expect that a region that depends entirely

on the railway could be sufficiently evaluated to allow a group of concerns to guarantee a certain volume of transport trade even before the railway is built and its route determined.

All that can be reasonably demanded is, it seems, that the natural resources of the region be sufficient to justify the project, that the government concerned authorize its carrying out and that the responsible enterprises wish to utilize them.

We believe we have proved in the course of this study that the first condition was amply fulfilled. As for the provincial government, it showed itself in favour of the development of the region. The mining and forest concessions which it has already granted as well as the vast programme of colonization which it has prepared prove it clearly. Anyway, it would be hardly understandable that a public authority would be opposed to a particularly desirable economic development and which, in addition, would bear important benefits without involving corresponding expenditure.

In fact, it is undeniable that many concerns wish to exploit the natural resources of the region. Already as we have mentioned before, 78 mining companies are holding 150 properties. From the standpoint of lumbering, the Howard Smith Company which is already working an area of 200 square miles in the southern part of the region, has obtained a new concession of 600 square miles, the boundaries of which have not yet been marked and will probably not be so until the construction of the railroad has been decided and its route made known. If other concessions have not yet been granted, it is no doubt because, considering the lack of transportation facilities, they would have been untimely. Lastly,

other concerns that do not wish to or cannot obtain forest grants wish to buy from the settlers the lumber which will be cut from the lots reserved for agriculture.

It is perfectly understandable that the Canadian National would want to avoid useless risks. In spite of all the reasons that justify the immediate carrying out of the project, if the proper authorities deem that the undertaking is still too risky, they could at least officially announce their intention of building the railroad, establish its course and then await the consequential effects of this step before undertaking the work.

It seems, however, that all those precautions are unnecessary. The usefulness of the projected railway is, at this moment, sufficiently proved and it would probably be possible to state cases where less prudence was used. Therefore, the economic development of that region should not be delayed uselessly, more particularly as the Quebec railway transport system may have been neglected in the past. In fact, there were, in 1942, 4,797 miles of railroad in that province, while Ontario had 10,480, Manitoba 4,837, Saskatchewan 8,780 and Alberta 5,681. The carrying out of the project would be a first step toward establishing a balance, while contributing at the same time to a very desirable economic evolution.

Q. I understand that the memorandum you have just read is a summary of an article or study of some seventy pages which you prepared on that subject?

A. Yes, sir.

Q. I believe it would be useful for the Commission, to see that study. Will you produce that as an exhibit?

A. Certainly.

Q. Would you have five copies of it prepared?

A. Yes, sir.

Q. They will be produced as Exhibit 109?

A. Yes, sir.

Q. Maybe you could prepare an additional copy for the Canadian National?

A. Yes, sir.

Q. Now, maybe you could give us a short --

THE CHAIRMAN: It will be produced as Exhibit 110.

MR. DESMARAIS: Yes, very well.

Q. Would you give us a short description of the Abitibi region, its location, its area; a short description, a summary?

A. Here is the Mattagami region; it is located half way north of the region commonly called Abitibi. Abitibi, and I believe many people know that region, developed, as you know, in that way, on two lines more or less parallel, one formed by the large centers, half way north, Val d'Or, Bourlamaque, etc., and the other by the centers relying more on agriculture.

The population of Abitibi has now reached about 135,000. And it is rather interesting to note that the development of that region dates back about twenty years. It began earnestly in 1930 and it has developed in the midst of the economic crisis, which means that we can recognize that the natural resources of that region are ready to be developed at the precise moment when there is a drop in the economic activity. And agriculture, the movement of settlers, the gold mines are evidently the main illustrations of that fact.

Q. I believe there are three counties in that region?

A. Yes, for provincial matters, there are Abitibi West, Abitibi East and there is Rouyn-Noranda.

Q. In the first paragraph of your memorandum you say:

"Last year the Canadian National finished the construction of a railroad about 40 miles long, from Barraute to Rapide des Cedres."

Upon whose request was it built?

THE CHAIRMAN: Q. Barraute? In what direction is it from Rapide des Cedres?

A. Immediately south of the Laas township.

Q. And that is the terminal of the railway?

A. Yes, sir.

Q. And the extension would go from there to Chibougamau?

A. Yes, sir.

Q. What would be the length of that line?

A. Bout 165 miles.

MR. DESMARAIS: Q. That section, which was constructed last year a distance of 40 miles, was it through the initiative of the Canadian National?

A. I believe it has been constructed at the request of Howard Smith, who, at that time, was keeping a certain minimum of his transport for the Canadian National. For example, the company already had, as I have said a while ago, forest grants in the south of the region.

Q. That first part, the construction of that section has been built for absolutely commercial considerations?

A. Yes, sir.

Q. For the 165 miles, there is a new layout; is that layout definite?

A. Certainly not, it is certainly not a definite layout. I think engineers or experts on the matter should be called upon. However, on the layout which is

shown on the map, we have especially taken into account the natural resources of the region and particularly the localization of the mining resources. Therefore, obviously, it is not a definite layout. It simply indicates a direction which the railroad could follow. An investigation carried out in a more detailed manner will certainly be necessary.

Q. Have you discussed the project with the Canadian National Railway Company?

A. The Canadian National is certainly informed of this project. Last year, at the end of January, in particular, there was a meeting of about 150 business men at Val d'Or in Abitibi. Mr. Fairweather of the Canadian National was present at the meeting as well as Mr. Maxwell also of the Canadian National; the project was discussed and different lumbering and mining companies pronounced in favour of the project. Mr. Fairweather addressed the meeting and said that the project was certainly, or rather that it certainly deserved all the attention of the Canadian National and that its realization was certainly desirable and that it was, for him and for the company, a question of time. I believe it was also a matter of public opinion.

Q. Now, Mr. Lamontagne, on pages 2 and 3 of your memorandum you state certain economic principles which must be considered in a project of this kind; the revenues which the government can derive from such a project and its social utility. Are you of the opinion that those are the only considerations which could prevail or do you not consider also the commercial value of such a project?

A. Naturally, one must always consider the commercial value of a transport network, when that network or part of it is the property of a public concern. I

believe it is not possible to take into account the direct revenue it yields nor also its indirect effects and consequences, because, even if they are indirect they are none the less real.

Q. Do you think that in the development of a railway network in Canada, in the past, that policy which you are advocating at the present was taken into consideration?

A. I believe there are certainly cases where the objective was purely utilitarian, even social, and not of economic utility; a project simply carried out to serve a population. I have seen recently in the newspapers that the Canadian National has just purchased a short section of railroad in Temiscouata county when the railway is only used to serve the local population and where there is certainly not a considerable volume of transport. And, in addition, the timber goes to New Brunswick and not in the province of Quebec. There, the social utility was especially considered when the railway was purchased. That is why the Canadian National acquired it.

Q. Who, do you think, is in the best position to decide that? Is it up to the Canadian National or to the government to take a decision, the initiative?

A. I believe that in a case like that, where the authorities of the Canadian National are not sure they can cover their expenses by the carrying out of the project, it is up to the government itself to take a decision, considering it is, in other words, a matter of utilization of public funds, and that a crown corporation would not normally tie up the public funds without consulting the government or parliament.

Q. Now, is the principle which you are now stating, as applicable to the Canadian National, also applicable to

the Canadian Pacific?

A. I do not believe, because the Canadian Pacific is a private enterprise. Therefore, all the Canadian Pacific can do is to consider the direct revenues and costs, because the indirect revenues, such as those derived from taxation or from the increase of volume or the number of its indirect revenues could not increase the profits of the Canadian Pacific, while that contributes to increase the revenues of the government. We must always make the distinction, very important in my opinion, that the Canadian National is a public enterprise and the Canadian Pacific is a private enterprise.

Q. Then you speak of natural resources and about an estimate of a 100 million cords of wood ready for exploitation. By whom was that estimate made?

A. I obtained that estimate, as well as most of the information contained in the report, from the provincial minister of Lands and Forests.

Q. In the same paragraph, you refer to the easy exploitation of that forest, that is, once the railroad is built?

A. Yes, also easy from the geographical point of view. It is a region where the geographical undulations are very rare and the soil very firm. It would be relatively easy and inexpensive to build a road there, or even a railroad.

Q. Under the same title, in the same paragraph, you say:

"It is not desirable to have all such resources processed within the region."

Does this mean that it is not desirable to have industries in that region? Is this what you believe?

A. No, but I believe that it is not desirable that

all the forest resources in that region be processed within that region. This would not be economical. Many pulp and paper companies in Quebec and even in Ontario are short of forest resources, of raw material. When the new growths will be ready to be exploited only in thirty years, I believe that it is not desirable to weaken, in a more or less near future, the already existing mills by building new mills in that region -- they would be free to reopen in some thirty years. I believe it would be a loss of capital, a loss of equipment -- it would not be desirable.

Q. Now, you referred to 100,000,000 cords of wood, and on page 4, paragraph 3, you said:

"A reserve of about 50,000,000 cords would be accessible to the proposed railroad."

In order to exploit that other reserve of 50,000,000 cords would it be necessary to build another branch line? What is to be done to exploit those other 50,000,000 cords?

A. There is no doubt that a new line would be useful and would be desirable in the direction of Mattagami Lake. I think you could locate Mattagami Lake on the map. It might be useful. There would be perhaps a distance of 60 miles. And, beyond that region, in the westerly direction, I believe that the exploitation of the forest would be rather difficult; it is a marshy region.

Q. Now, on page 6, in the tenth paragraph, you refer to the mining resources, to the discoveries already made, to the views of experts and experienced men, and you say that everything enables us to predict rapid and important developments in the region. Would you kindly develop these points and tell us the source of

of your information?

A. Again on this, I have consulted the Quebec Mines Department. There is where I have obtained the information. And I have reproduced in my report the situation from the viewpoint of exploitation and discoveries as it was last year. I think you could refer to pages 30, 31, 32, 33 and 34 of the reports or declarations of the different companies in which their present discoveries are shown. In fact, every expert, every mining or forest engineer that I have met and consulted about the question told me that this was the richest region that the province of Quebec ever had and the best balanced region from the nature viewpoint.

Q. In the development of these mining resources, you mentioned the rapid development of the region. In your opinion, how long would it take, after the construction of the railroad to attain a rather important development?

A. I believe that it is rather hard to build a system of forecasting on what will take place in the future. I believe, first that it is the function of the building of a railroad; secondly, that it is also the function of the policy of the provincial government; and it is also the function, to a very large extent, of the economic fluctuations that will count in the future. I believe that if needs will exist, economic real needs, in the future, development will be more rapid. I really believe that within a period of 10 years important developments will take place.

Q. You speak in paragraph 12, on page 6, of the still incomplete soil inventory. I believe that the question comes under the jurisdiction of the Department

of Agriculture?

A. The Department of Colonization. At the present time, the Department of Colonization has definite and detailed plans for the development of 30 communities in the region. Even the site of the churches has been definitely located. The surveys are very elaborate and 25 townships have been investigated up to the present time.

Q. You also say in the same paragraph that 15,000 farmers could settle in that zone alone, the last one in the province of Quebec to offer possibilities of agricultural expansion. You say there that you consider that only an agricultural development would take place, or is there any other development that you have considered in your memorandum?

A. There are others. I simply believe that the development of the region from an agricultural point of view does not justify the construction of a railroad.

Q. There must be at the same time the others that you have mentioned?

A. Only the development and exploitation of the other natural resources would contribute to create a local market for the region.

Q. Now, on page 7, in the paragraph dealing with the economic consequences of the project, you state that the cost of construction of the proposed railroad would amount to about \$14,000,000, supposing an expenditure of \$85,000 per mile. Could you give us the source of this information?

A. I have consulted, on this subject, the industrial engineers of the Canadian National, who gave

me these figures after going into the region and making a rough estimate of the approximate cost.

Q. Is the cost of construction in that region comparable to the other regions of the province?

A. I am told that the topography is very favourable, that the cost of construction would be lower than in the other regions already developed.

Q. Who told you that?

A. Mr. Marchand, industrial engineer of the Canadian National at Quebec.

Q. When you refer to the cost of \$14,000,000, do you include the track and the stations?

A. Yes, sir.

Q. Now, on page 8, paragraph 3, you say:

"In years of relative prosperity, the conveyance of timber, as well as of the men and commodities required for forest operations could bring in approximately \$6,500,000 to the Canadian National."

What are these figures based on?

A. We have supposed a rational exploitation and adequate markets since we are talking of prosperous conditions. If we talk of prosperous conditions, it is possible to produce about one million cords of wood per year, to convey one million cords of wood per year. And, according to the information supplied by the Canadian National once more, the average cost of transport for the wood in that region would amount to about \$6 per cord. Thus, we come to \$6,000,000 for the conveyance of wood, and the cost of revenue of \$500,000 is obtained from the conveyance of the goods required for the exploitation of the forest resources, and the conveyance of men.

Q. You are making an estimate?

A. Yes, it is an estimate; I am giving you my method. I do not think that it could be absolutely accurate. It gives an approximation. I am giving you an illustrated study.

Q. Of course, such an amount of revenue could not be expected before the region is reasonably developed and exploited?

A. Agreed.

Q. When you made these estimates, did you take into consideration the possibility of developing the road system later?

A. I believe that the type of natural resources existing or to be found in the region is not likely to be carried extensively by truck. The trucking of wood, ore, etc., for a rather long distance is neither profitable nor economical.

Q. Now, on page 8, paragraph 6, you refer to probable revenues from agriculture amounting to \$25,000,000 annually and then to those from forest operations with a somewhat similar amount, without taking other revenues into account. What total amount do you reasonably figure to give when industrial districts have become developed?

A. Naturally, this is rather difficult. Mining products in the Abitibi region exceed \$150,000,000 annually. I believe that \$100,000,000 would surely be a conservative figure when all the natural resources in this new region are considered.

Q. Now, your main recommendation, I believe, appears on page 14. This is what you are requesting the authorities concerned: if they consider the project still too risky, they could at least officially announce their

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY OF ARTS

AND OF CLASSICAL STUDIES

CHICAGO, ILL.

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

1911

intention of constructing the railway line. When referring to the authorities, do you mean the company?

A. Jointly. This study does not claim in any way to be final or exhaustive. For instance, the layout of the railway line is not yet determined, and the cost is not estimated adequately.

However, the conclusions of the report regarding mining resources in the region is a justification for stating, in my opinion, that in principle at least the project appears as useful and desirable.

Under those conditions, I believe that the Abitibi Economic Guidance Council would be satisfied if the Royal Commission was to recommend to the Dominion Government and the Canadian National to undertake as soon as possible all operations and research work required for the carrying out of the project, as for instance, sending industrial engineers to estimate the probable cost of the railway line, determining also the layout and then coming to a final decision in the shortest possible time so that the project, if recognized/^{as}feasible, may be proceeded with and completed within the next few years.

In this manner, I feel that the application made by the Economic Planning Council is not exaggerated in view of the conclusions and the present research work concerning the region.

Q. This is all I wanted to ask. Perhaps other persons here would like to examine you.

A. Very well.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Mr. Lamontagne, do I understand that you are here before the Commission because the Canadian National is involved? If the Canadian Pacific Company was involved, would you be here also?

A. I think the same thing cannot be asked from the Canadian Pacific as from the Canadian National.

Q. Why?

A. We surely could not require from the Canadian Pacific that they consider indirect effects of profits whereas this may be required from the Canadian National.

Q. It is important for you that the Canadian National be a public undertaking?

A. Very important.

Q. Then, the matter does not relate to a railway?

A. What do you mean?

Q. It is not a railway matter?

A. There are two points. The Canadian National is a transportation company and in addition, a public undertaking. The behaviour of a private undertaking cannot in any way be compared to that of a public undertaking. If the Canadian people deemed it advisable at any time to have a transportation system of their own, I believe that the system should meet their desires.

Q. The Canadian National Railways are the property of the Government of Canada?

A. Yes, sir.

Q. Are you going to make an appeal to the Government?

A. This is a first expression of opinion. We have also submitted our application to the Canadian National and it appears that the Economic Guidance Council requested last month an interview with the company in this regard.

Q. Mr. Lamontagne, I have no objection to your submission, but would you be interested in the matter if the Canadian Pacific were involved and the Canadian National were not involved at all? Can you understand that?

A. Not necessarily. Although I believe it would

be different. That could not be required from the Canadian Pacific.

THE CHAIRMAN: Q. Have the Canadian National Railways already a line in that area?

A. Yes, sir, and precisely because the Canadian Pacific cannot act as the Canadian National.

MR. FRAWLEY: Q. They cannot?

A. No.

THE CHAIRMAN: Q. What do you mean by they cannot? Is it because this railway is not already in the area but the Canadian National Railways are there?

A. This is the main reason.

Q. The Canadian Pacific is not there?

A. No. And I would even say --

Q. If the railway already operating in the area was that of the Canadian Pacific and if the Canadian Pacific had already started this extension of 40 or 50 miles, would you request an extension from them?

A. We could do so, provided that the Government would be ready to grant a subsidy to the Canadian Pacific during a deficit period. As the Canadian Pacific is a private undertaking, they have to make profits or, at least, balance expenditures and revenues. The indirect consequences of the project, for example, an increase of revenues, would mean an increase in the taxation revenue. This would assist in increasing the revenues of the State but would not assist in increasing the revenues of the Canadian Pacific.

MR. FRAWLEY: Q. Whether the construction of the railway line results in a deficit for the Canadian National is not very important?

A. It is important, but I believe that there is a point to be considered. We are speaking of a fact,

namely, that the Canadian National Railways are a public undertaking. If that company is a private(?) undertaking, it should so act as to seek the general utility or general welfare of the nation, while a private undertaking is not forced to act in this manner, and, if desired, it could under some circumstances not consider revenues but only the operation cost, it could not disregard general utility and it would not have to operate.

Q. There is an important difference between the Canadian National and the Canadian Pacific?

A. Yes, the former is a public undertaking while the latter is a private undertaking.

Q. And you are here to-day because the Canadian National is particularly involved?

A. Not necessarily.

Q. Particularly?

A. I believe that it is because the responsibility of undertaking the project could not be left to the Canadian Pacific alone.

CROSS-EXAMINATION BY MR. O'DONNELL:

MR. O'DONNELL: Q. Why not?

A. The C.P.R. could incur a deficit and might even incur deficits at a time when revenues of the State are increasing and their total is exceeding the cost. The Canadian National Railways being a public corporation, or at least being under the Government, are in a position to take that effect into consideration. The Canadian Pacific cannot.

Q. In your opinion, the fact that the Canadian National may incur a deficit is not important?

A. I did not say that.

Q. It comes to the same thing?

A. I said that it is not an essential condition of their behaviour. The Canadian National may continue

to survive and to provide great services, possibly greater than the Canadian Pacific, while incurring deficits.

Q. In fact, it renders so many services that you have no objections to see it incur deficits?

A. No.

MR. O'DONNELL: I merely want to say here that, as I have had no copy of the memorandum, I was not in a position to gather information in connection with the investigation that could have taken place up to this date in connection with this railroad. I know that last year the Canadian National had the building of the Barraute-Rapide des Cedres section of the 'railroad completed and this was done, your lordship, under the authority of Act of Parliament, Chapter 41, Act X, George VI, August 31, 1946.

THE CHAIRMAN: Which year?

MR. O'DONNELL: 1946; August 31, 1946, Act X, George VI, Chapter 41. And according to the Act governing the Canadian National it will be necessary to obtain an Act of Parliament authorizing the construction of a similar railroad. I do not know at what stage the investigations could be now. At any rate, the C.P.R. research and development department is investigating similar situations and problems.

This is all I have to offer him.

GILBERT LEBEL, called

MR. DESMARAIS: Mr. Gilbert Lebel, from Senneterre, Vice-President of the Conseil d'Orientation Economique d'Abitibi, wants to be heard. He has no prepared memorandum.

THE CHAIRMAN: On the subject of this memorandum?

MR. DESMARAIS: No.

THE CHAIRMAN: About another region?

MR. DESMARAIS: No, about the same region. He wants to make certain representations on the subject of the level of the railway rates in his region.

THE CHAIRMAN: Q. Mr. Lebel, you have something to say on the transportation rates?

A. Yes, sir.

Q. What are your initials?

A. G. B.

MR. DESMARAIS: Q. What is your profession, Mr. Lebel?

A. Contractor and manufacturer.

Q. Where do you live?

A. At Senneterre, in eastern Abitibi.

Q. I understand that you are the vice-president of the Conseil Economique d'Abitibi; is this right?

A. Yes, sir.

Q. Could you tell us in two words what is that organization?

A. The Conseil d'Orientation Economique d'Abitibi has for its object the development in general.

THE CHAIRMAN: Q. Speak loud so that every one here may hear you.

A. The Conseil d'Orientation Economique d'Abitibi is concerned mainly with the movements of general interest in the townships of Abitibi, such as the development of

our natural resources, of our forests, of transport in general, of our water powers. It can be summed up a little in this.

MR. DESMARAIS: Q. Who are the members of this organization?

A. The organization is a complement of the Chambers of Commerce.

Q. It is the mayors of municipalities, of townships?

A. All mayors of the counties, the chairman of the Chamber of Commerce, Mr. Armand Dumas, president of Villeneuve county, and all the business men.

Q. Have you lived in the region very long?

A. I live in this region since 1923.

Q. Do you know very well the conditions of the region as well as the conditions of transport?

A. Yes, sir.

Q. You have stated to me that you had representations to make to the Commission concerning the railway rates?

A. I would like to speak to the Commission about the economic consequential effects of the railway rates.

We are located rather far from the others, we are quite far north. Therefore the apportionment of the freight rates at so much per cent is such that they are higher than those of large centers. Take for example this illustration, and I shall be as brief as possible; take pulpwood for example. Our freight rates for pulpwood, before the war, and even during the war, was at an average of \$6 per cord, to-day it averages \$9⁷ ? per cord. The result is that the sales of wood in Abitibi will be about 50 per cent less than those of the previous years. Yet pulpwood is a merchandise. It is our prime industry in Abitibi. We are in a young country which is developing

and wood is a raw material taken on the farm. And that wood is completely lost if it is not used.

As you have seen from Mr. Lamontagne's report, we have a very great quantity of timber in Abitibi and we have timber which has been mature for several years. That means that if we do not get reasonable freight rates, rates that are not prohibitive, we shall not be able to exploit the forest and we shall lose millions and even billions of dollars, we shall lose our main source of revenue. That also applies for pulpwood.

I know you are used to investigations, that you have already carried on investigations. There is another factor, the sawn timber, one of the prime industries in Abitibi.

Sawn timber cost \$6 before the war and even during the war; to-day it costs \$8.12 for Montreal and \$9.80 for Toronto. And that is the average of the freight rates in Abitibi.

Now, on the newly constructed short line from Barraute to Kiask Falls, there is a special freight rate of \$4.18 per M. which gives a freight rate added to the existing freight rate from Barraute to the great distribution centers amounting to \$13.80 for Toronto and \$12.30 for Montreal. That is paralysing the business. Many wanted to carry on lumbering operations on that line. That line is built exclusively to carry the wood to the settlers. They have to allow for the freight rates even. And many in Abitibi this year are giving up the business especially on account of the transportation rates, and because timber has a tendency to decrease, the transportation rates go up.

If the transportation rates remain the same as they are to-day, well, to-day's economy is going to suffer by it and even everything in general since the timber

produced in Abitibi is transported to the large centers and it is used for building or making paper; it is used to provide employment. We might well say we are the source of supply for the rest of the country.

I, myself, have employed as many as 1500 men; last year over 600; this year, I am employing 50.

Q. Do you attribute that to railway rates that are too high, or to other reasons?

A. Well, yes. I am just back from a tour. (One sentence unintelligible). And I came back with this: if we have a customer, we immediately figure out the freight rate and as the freight rate is too high, he is not able to buy it at the price he wants to sell it. All construction materials have a tendency to drop in price because the cost of living is excessive, and the cost of transportation is increased, which contributes to increase the cost of living.

In our region, the average of the freight rates for dry goods and groceries is over one dollar per hundred.

Q. How does that rate compare with the rates in other regions of the province?

A. In the province? Around the large centers, you do not have an average freight rate over 35 cents. Take, for example, around the large centers, when you have competition between two railways, or the truck competition, you have reduced freight rates.

In our region, there is no competition, except at Val d'Or where you are given a summer rate. Outside of that, there is no competition. There is only one railway which we patronize, and in spite of themselves, and they do not want to give us the chance to patronize it.

I have been working with the railway since

1923; I alone have shipped more than two million cords of wood. I have shipped some to Ontario for several millions of dollars.

I know quite well what is a railway. I believe I have nothing but congratulations to offer the railway authorities. I get along well with them. Everyone does his best. But, like the C.N.R. which has to maintain a transport system, the C.P.R. has to keep trains on the line, and they pay their employees the same as if they carried only half the freight. If the tonnage is fifty million pounds and they carry only twenty million pounds, they pay their employees just the same, and their cars, locomotives, etc. wear out just the same.

Q. You claim that their rates --

A. Are prohibitive.

Q. Does that take away from them a volume of paying traffic?

A. Yes. If the C.N.R. or the C.P.R. is to be financed by itself, it must not be done according to our region on which depends the people's economy, because it is the people's economy which is going to suffer from it. It is not always fair, either, especially in a remote place like ours, to make us pay for the others especially in regions where there is no competition. It would be better to help or subsidize the railway, and everybody would pay the same.

Q. You are in favour, for the distant regions, of a reasonable rate and that the railway be helped by subsidies?

A. We need a reasonable rate. Everything is increasing. If nobody stops the rise in the cost of living, where are we going? It seems to me the Government should begin by setting the example, stop the cost of living from going up.

Q. Have you any other remarks to make?

A. If you have other questions to ask me.

THE CHAIRMAN: If you like, he may continue to-morrow.

MR. DESMARAIS: Unless he wants to leave to-night.

MR. O'DONNELL: Mr. Chairman, I would just like to observe that his rates, like those of everybody else, are fixed by the Board of Transport Commissioners; and as far as his markets for pulpwood this year are concerned, they are the same as for everybody else.

THE CHAIRMAN: Q. Have you made a request to the permanent Board of Railway Commissioners about those rates?

A. Yes, there were representations made -- not very recently. There were representations made on my part four or five years ago, but not since that time.

Q. Nothing has ever been done for you?

A. We were very well used by the railways, just the same, in everything. It is not I who is going to complain about the railway. If the railway wishes to finance itself by its own means, it is very well. There is something, however, as for us, we are no longer in a position to carry on; we have to stop.

THE CHAIRMAN: The current rates in that region are normal rates. There are no preferential rates, no special rates.

MR. DESMARAIS: Only at Val d'Or, where there is, in summer, the truck competition.

Q. Is there a substantial reduction?

A. No, it is not great and it is only by the car; not by weight freight but by complete carload.

Q. Have your difficulties begun with the recent increase of rates or before that?

A. They began with the first one.

Q. The first increase?

A. Yes, sir.

Q. THE CHAIRMAN: Q. You are speaking of what year, Mr. Lebel?

A. Last year.

Q. Before that it was going fairly well?

A. Not badly. If the same rates had been maintained, and^{we}/had not had the two last ones, we would have been satisfied.

Q. Give me a comparison of the two rates that existed before last year?

A. There was \$6.

Q. What is the comparison from your home to Montreal for example?

A. I have no comparison for the rates for groceries but I have the comparison for timber, for example.

Q. For timber?

A. Before the increase of 21% it was \$6.25, today it is \$8.12.

THE CHAIRMAN: Is the increase justified?

MR. O'DONNELL: On the \$6 rate there was an increase of 30.6%; that is, \$1.84, which makes a total of \$7.80 instead of \$6.

MR. DESMARAIS: Q. Your present rate, the one that is quoted there, is that the one you are paying?

A. Yes, that is the amount we are paying at the present time.

THE CHAIRMAN: We are taking note of everything you are saying. As you know there is already a Railway Board looking after that as part of its duties.

MR. LEBEL: I am not here today in a personal capacity.

THE CHAIRMAN: When recommendations are made to us for regions and rates, we give them our most serious consideration.

HANDBOUND
AT THE



UNIVERSITY OF
TORONTO PRESS

